

1 eye street Ordeal of polar crash Britons

London businessmen told yesterday how they missed each other when Russian MiG fighters shot down their plane as it layed deep over northern Britain.

Mr. William Howard, 45, of Bovis, executive with a leather products company, who was sitting directly in front of the two men who were killed when the plane was shot down, said: "There was a small burning and the plane took off. I felt sure we were for a high jump. We were in the wrong place at the wrong time."

Mr. Benson Cohen, 55, of Bovis, with the same company, said: "The pilot performed a miracle. None of the passengers had any idea of what was wrong." On arrival in France, the couple were met by a representative from the British Embassy.

The two men, who had been flying 2,000 feet in 15 seconds, had landed on an ice-bound lake south of Murmansk and were in a sensitive security zone dealing with naval and missile bases.

The Russian fighter jets flew close to the plane that passengers were able to describe them in detail. The pilot, Mr. Cohen said, had a pointed nose and a slight dip in the middle of the fuselage.

Rhodesia talks

Rhodesia's transitional government is expected this week to accept the Anglo-American invitation to attend an all-party conference. But, Salisbury is expected to stipulate pre-conditions for such a meeting which will make the acceptance academic and symbolic in character.

K. accused

The British Government appears twice this week before an international court in Strasbourg used or stating free expression of the Thalidomide controversy of allowing degrading treatment of young offenders on the of Man.

Euro optimism

Parts of Italy's ruling Christian Democrat party are realistic that Red Brigades' lists have stayed the execution of Mr. Aldo Moro, kidnapped former Prime Minister. Page 2

Landing down

Chairman of Lancashire Police Authority, Mr. Frank Loftus, has stood down while inquiries are made into allegations by Mr. Stanley Parr, ex-Constable, that he tried to divert the course of justice.

dash at 280 mph
ing driver Barry Bowles had a bit luck puncture for 280 mph crash of his rocket-pulled "Blonde Bombshell," in the bid to break four British land speed records at Pendine Sands, west Wales.

leffy...

Archbishop of Liverpool, George Beck, is still seriously ill. Lourdes hospital, Liverpool's first live concert broadcast to Europe had audiences and searching for superlatives. Her praise, BBC said: "It's wonderful."

More than 200 people have died in Malaria and gastro-enteritis in the Maldives.

French hotels, a ferry company, and the owner of six fishing boats are to sue for damages and charterers of the ship. Cadiz. Changed shipping as. Page 12

by £50,000 Premium Bond was won by holder of bond 2nd 2FS 744134.

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No. 27,542

Monday April 24 1978

** 15p

Tories are divided on size of Budget income tax cuts

BY RUPERT CORNWELL, LOBBY STAFF

The Conservatives are divided on just how big a cut in the basic rate of income tax to seek during the Commons examination of the Finance Bill, where major differences between the Government and its Liberal allies could precipitate an early general election.

Neither BL management nor national union leaders believe that separate bargaining machinery would help solve the company's industrial problems, but the leader of the toolroom committee has said that the workers had become frustrated by lack of progress and would be demanding action. Back Page

• **EC PLANS** to trim and restructure the Community shipbuilding industry has run into difficulty as a result of disagreement among governments of the Nine. The D'Avignon plan, which envisages a 46 per cent reduction in capacity inside four years, has been sharply attacked by the U.K., Italy and West Germany. Back Page

• **£350M BOND ISSUE** by Britain in the U.S. will open opportunities for U.K. private sector companies to borrow in New York on a larger scale than before, a team of bankers and economists at present in the U.S. hopes. Back Page

• **FEDERAL RESERVE'S** moves to tighten credit may result in higher interest rates in the U.S. money markets, according to leading American analysts. Back Page

• **CITY TAKEOVER** Code is to be extensively revised next year, the Wilson Committee on financial institutions has been told. Page 4

• **INSURANCE** claims for thefts from private homes rose nearly a third last year, from £584m. to £842m., making a 200 per cent increase during the past four years, according to the British Insurance Association. Meanwhile, the chairman of General Accident is hopeful of better worldwide underwriting results this year. Page 24

• **GROCERY INDEX** up 1.7%.

• **AVERAGE** cost of family groceries has risen 1.7 per cent in the last four weeks, according to the Financial Times Grocery Index. The rises were mainly in fresh meat and vegetables, and in the 2p added to the price of bread at the beginning of this month. Page 5

• **PENSION FUNDS** and other City institutions make good landowners, having the funds to make heavy investment in agricultural land, the Northfield Committee studying land ownership has been told. Back Page

• **NATIONAL SAVINGS** movement increased its inflow by 80 per cent last year to £1.57bn., the first time total investments have exceeded £1bn. excluding the savings banks. Page 4

• **COMMERCIAL** vehicle sales increased nearly 10 per cent in the first quarter, although the March figure was slightly lower than last year at 20,384, according to motor industry figures. Page 4

• **THE WALES TUC** has rejected any trade union cooperation in a Phase Four pay policy at its Llandudno conference at the week-end. Page 5

• **SCHOOL CARETAKERS** who belong to the National Union of Public Employees in 20 outer London boroughs intend to start an eight-hour day from next month in protest at rent charges. The work to rule could interfere with plans to use schools as polling stations in next month's local elections. Page 5

• **U.S. CRUDE** oil pricing policy is costing oil companies about \$200m. a month in lost revenues, according to a report on the U.S. Energy Policy. Page 12

• **EL AL**, the Israeli airline is to resume normal flights to-day following a three week industrial dispute.

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HOME NEWS

Islands' tax haven status 'complex'

BY RUPERT CORNWELL, LOBBY STAFF

THE TWO Labour MPs back from a week's fact-finding mission to the Channel Islands plan to have their recommendations on what to do about the Islands' tax haven status ready to go before the party's national executive by July at the latest.

It is apparent, however, that the situation they found was complex enough to convince them of the need for further detailed research, and perhaps another visit—though they are hoping, with rather less public attention than they received last week.

The findings of the two MPs, Mr. John Cartwright (Woolwich East), of the party's Centre-Right, and Mr. Arthur Latham, of the Left-wing Tribune group, are likely to fall into two parts: a factual description of the current position, and suggestions of what might be changed, and how.

Mr. Cartwright yesterday spoke of the difficulties which have clearly altered the views they held before the trip. "There is diametrically opposing evidence in some areas, and the issues are wider than I thought at the start," he commented.

Moreover, whatever package that the Labour Party finally endorses will have its limits.

Countryside group warns against farms projects

PUBLIC INQUIRIES should be held before farmers are awarded Government grants to help cover the cost of developments which may affect the landscape or wild life, says the Council for the Protection of Rural England.

The Council's proposal is made in evidence to the Ministry of Agriculture which is revising its medium-term food production targets for Britain. Without more consultation there will be "increasing contention and bitterness," it warns.

Revision of City Code planned

BY MARGARET REID

A COMPREHENSIVE revision of the City Take-Over Code, which lays down rules for the fair conduct of bids, is planned for next year, the Take-Over Panel says in its evidence to the Wilson committee on financial institutions.

Part of the problem, Mr. Cartwright made clear, was definition. Anomalies abound and the issues have not been tackled since the Kilbrandon report of 1973, and then only in a constitutional sense. As for the tax loss to the Treasury through the offshore status of the islands, this is still a mystery, although the estimate of up to £100m. a year is widespread, at least in the Labour Party.

The recommendations will have to fit with the guidelines adopted as the most practical by the party itself: to reframe U.K. tax laws so that anyone moving to the islands would be taxed as though still resident in this country.

Mr. Cartwright emphasised the delicacy of the task by pointing out that not only will the prospect of extra revenue have to be seen in terms of the very small number of new settlers, but also weighed against the risk of upsetting their offshore banking role, and value as an earner of funds for the sterling area.

Dealing with the relative merits of the self-regulatory system which it operates, and of statutory regulation, the panel reiterates its view that "it would not be possible to impose a statutory body between the present organisation and the Government without forfeiting many of the advantages of the present system."

Instances of genuine insider trading—the wrongful use of confidential information by insiders to make personal profits—are described as extremely rare, on the basis of experienced of panel investigations.

The panel says the rule introduced in April 1977 for temporary suspension by the Stock Exchange of share dealings in certain bid situations, has been very effective. The number of cases where it proved necessary to carry out an investigation into dealings after an announcement have been "very considerably reduced in the last 12 months."

Such developments—which could greatly increase productivity, severely damage the habitat of wild creatures and plants and alter the landscape—were generally aided with generous Government hand-outs.

Oil companies hit by U.S. policies

BY RAY DAFTER, ENERGY CORRESPONDENT

OIL companies are being robbed of some \$200m. worth of revenue a month as a result of U.S. policies on crude oil pricing, revenue and restore prices to their legal limit. It is a move linked to an attempt to gain Congress acceptance for President Carter's proposed crude oil equalisation tax.

The idea, according to the report, is that oil producers would be rewarded with higher allowable prices if they help convince Congress of the need for what could have been permitted under existing legislation.

The figures are published in a report on U.S. Energy Policy by stockbrokers W. Greenwell and Company. This points out that the "fundamental law of the bureaucracy" has resulted in a labyrinth of controls on the U.S. oil industry.

The average wellhead price of oil produced in the U.S. is allowed to rise gradually to reflect inflation, but in recent months the Department has pegged the price ceilings at tens of cents below the statutory maximum.

Reports within the oil industry in the past few days have

suggested that Dr. James Schlesinger, Energy Secretary, may release most of this withheld revenue and restore prices to their legal limit. It is a move linked to an attempt to gain Congress acceptance for President Carter's proposed crude oil equalisation tax.

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Boeing 737 decision delayed by Government

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS does not expect an answer from the Government on its request to buy 19 Boeing 737 short-range jets worth £140m., until late May or early June.

Although it has asked the UK Government for the aircraft, it has also made it clear that it will not be in a position to discuss contractual details or reserve production line positions until approval for a deal is given.

The idea is to have told a small meeting of producers that the Energy Department might be willing to amend the pricing system in a way to provide oil companies with some \$35bn. worth of additional revenue by 1985.

The Greenwell report points out that the U.S. energy policy has a direct impact on major U.K. oil companies. For instance British Petroleum and its U.S. affiliate Sohio had virtually no lower-tier crude, whereas the Royal Dutch/Shell group had a net equity interest in 150,000 barrels a day of this lower-priced oil.

Any information on a prospective 737 deal can be exchanged informally.

The view in Whitehall is that while the 737 deal can be considered separately from the longer-term desire of the airline to buy some of the proposed new Boeing 757 jet aircraft, it is likely that they will be considered as part of a package deal involving also decisions on the future work programmes of British Aerospace, the nationalised aircraft manufacturer, and Rolls-Royce.

The complexity of these issues, involving a decision whether or not the U.K. supports a new 550m. safety and support vessel most sophisticated vessel in the North Sea, when it enters service in June. If it is a case of the contract goes against corporation's normal policy for the vessel Seaway Swan has been built in Finland for a consortium of Scandinavian owners.

Lord Kearton, chairman and chief executive of the corporation, said after the week-end's naming ceremony at Port Finland, that no similar unit was immediately available in the U.K.

The corporation, which is considering the long-term emergency cover for the Thistle Field, has chartered Seaway Swan for regional operations in Asia, Africa and Australia.

Land prices up

Farm land prices rose by 10 per cent. between January, 1977 and January, 1978. A survey published yesterday by the Country Landowners' Association shows that the average value of agricultural land with vacant possession in the quarter ended January 31, 1978 was £250 an acre, £15 above the level a year earlier. The rise in farmland values was even sharper, at £250 to £270 an acre.

Market leader in March was British Leyland with 27 per cent.

Followed by Ford with 23.1 per cent., Bedford with 17.3 per cent. and Chrysler with 7 per cent.

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Savings
p 80%

HOME NEWS

FT GROCERY PRICE INDEX

Average family's food bill rises by 1.7%

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE cost of the average family's groceries has risen by 1.7 per cent in the last four weeks, according to the Financial Times' Grocery Index. The index, which was re-launched last month, now stands at 101.77. The rise was largely due to the higher cost of fresh foods, like meat, bacon, etc. (fresh), with the extra 2p added to the price of a loaf by the bakers at the beginning of his month. The prices of most other processed foods, like canned goods, remained stable, while in some sectors, like tea, there were widespread price reductions.

Grocery prices have been increasing at an uneven rate this year. They rose by 0.7 per cent in January, when the Sainsbury grocery chain stepped up its price war among supermarkets by launching its "2p a loaf" programme and fell back by 0.6 per cent the following month.

In March, when the new index was introduced, the old index showed a final rise of just over 1 per cent. The old index has now been dropped and the FT is using both a larger sample of shops and a slightly bigger list of groceries. (Some small revisions have been made to the figures for March and it should be noted that the base for the new index is 212.12.)

The biggest rise this month was in the fruit and vegetable bill. In most of the 28 shops in which the prices were monitored, tomatoes were costing at least 10p more a pound than last month. Cabbages and onions were also generally more expensive than in March, as were cooking apples.

The other big increase this month was in the meat sector. Bacon was costing between 2p and 15p more a pound in most shops, while mince was also dearer.

Apart from the odd special offer, there were few price reductions to offset these increases.

In the dairy sector, butter was the villain of the piece. Both

Unilever's Butter and New Zealand butter was selling for

£1.05 per pound, two more than last year. The number of new grocery stores opened last year was the highest, though the price of stores seemed more lowest on record although the

FINANCIAL TIMES SHOPPING BASKET
APRIL, 1978

	April	March
Dairy produce	475.92	475.01
Sugar, tea, coffee, soft drinks	179.66	182.67
Bread, flour, cereals	229.45	223.01
Preserves and dry groceries	84.18	84.27
Sauces and pickles	40.58	40.82
Canned goods	155.70	155.74
Frozen foods	177.43	177.49
Meat, bacon, etc. (fresh)	412.08	403.83
Fruit and vegetables	277.50	202.56
Non-foods	181.08	180.72
Total	2,163.79	2,126.12

INDEX 1978: March 100; April 101.77.

stable. Yoghurt was also up in most shops and these increases offset fairly widespread reductions on many of their products. In most shops, the price was nearer 25p a loaf and in some it was as low as 19p.

The biggest drop this month was in the bill for sugar beverages. The fall was almost entirely due to tea—the subject of a recent wrangle between the manufacturers and the Department of Prices.

Copies of the list now used by the FT grocery shoppers are available from Miss Ingrid Eden, the Financial Times, Bracken House, Cannon Street, EC4.

Food selling space falls

BRITAIN'S grocers and food manufacturers meet in Brighton today for their annual convention against a background of depressed food sales and increased competition among supermarkets.

A report published by the Institute of Grocery Distribution to coincide with the conference says the amount of selling space devoted to food fell for the first time in 1977 with the opening of new stores failing to offset a fall in the rate of increase of new stores.

The report suggests that in spite of the increased level of competition, supermarkets were able to improve their net profit margins last year.

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Dell to announce aid scheme

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

MEASURES to aid shipping companies facing liquidity problems are expected to be announced by Mr. Edmund Dell, Trade Secretary, in the Commons this week.

They will centre on a statement by Government of its willingness to consider extending loan repayment periods for owners in debt to British shipyards and whose loans were guaranteed by the Government under the terms of the Industry Act.

The latest Government estimates of the amount of ship owners' debt for which it holds

subsidy scheme.

The guarantee is about £150m, of which about £40m might be under renegotiation in the coming months as shipowners with heavy exposure in depressed bulk markets find it increasingly difficult to meet their commitments.

It is known that a small number of companies has already made problems plain to Government through the Ship Mortgage Finance Company—the shipping arm of Finance for Industry. The General Council of their bulk ships are losing British Shipping says, however, it has not requested and nor does it expect any kind of general coverage by other areas of

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

© INSTRUMENTS

Seeks the levels of problem materials

RELIABLE and accurate level beams a very narrow pulse of ultrasonics on to the surface of solids, slurries and liquids by non-contacting the level to be measured, and the time taken for the pulse to complete the round trip back to the transducer is converted, through solid state electronics, into distance. Since the signal from the transducer is very narrow it is easy to ensure that the beam is directed to avoid extraneous signals from protrusions in the tanks or errors caused by filling points or mixers.

Developed by the Milltronics Company of North America, the equipment will accurately and reliably measure levels in hostile conditions in the presence of abrasive solids or corrosive liquids. The level sensor has no moving parts in contact with the process media and the electronics are all solid state.

Installation is easy. The equipment is small and light and easily transportable.

Sensors are available for monitoring levels from 0.6 metres to 30 metres (2 feet to 100 feet).

The key element of this equipment is the company's patented "Ultrason" transducer. This



Inserting a printed circuit into a milltronic ultrasonic unit.

© PROCESSES

Cushions filled at highest speeds

CUSHIONS MADE of materials such as canvas, fabric and plastic, for use particularly in the bedding and upholstery industry, can be filled with various forms of foam (block form, polyurethane foam) and coil springs with foam surround, from a pneumatically-operated machine just launched by Anderson Machine Company (Great Britain).

Cushions are filled when the operator places the covers into a hopper which is closed over the covers in readiness for injection of the fillings. The range of machines will handle cushions varying in length from 38 inches to 78 inches, in width from 16 inches to 78 inches and thicknesses from three inches to eight inches.

Use of Teflon-coated sheet metal hoppers ensures that the

Effluent efficiently purified

EFFICIENT separation and recovery of solids from industrial liquid waste is offered by a self-cleaning rotary screen introduced by Effluent Processing Division of Rizzi U.K., Meanwood Road, Leeds.

The rotary screen is the latest in a series of low-cost adaptable equipment designed, says the new Rizzi division, to help companies meet increasingly stringent water authority effluent regulations.

Considered ideal for processing difficult industrial effluent such as that having a high grease content, the machine has particular application in the food processing, textile, tanning, pulp and paper industry.

It has an efficient self-cleaning rotating screen enabling continuous operation without clogging or binding and can be used in conjunction with or independently from existing batch processing gravity separation tanks.

In operation, waste water enters a reservoir box at the top

of the Rizzi machine and flows at a controlled rate over the surface of the rotating screen drum. Solid particles which cannot pass through the screen apertures are removed by a doctor blade and collected into a disposal hopper. Filtered liquid flows through the inside of the drum and out of the bottom of the screen, carrying with it any residual particles from the surface as it passes.

The screen is available in five alternative drum lengths from 24-inch to 72-inch according to volume required. For instance, in a fish processing environment of 5,000 gallons, a two-foot screen would be adequate. For high volume processing applications such as effluent discharge of, say, 42,000 gallons, a six-foot screen would be required. There is a choice of three screen aperture sizes: 0.5mm, 1.0mm and 1.5mm.

Rizzi (U.K.), 388a Meanwood Road, Leeds LS7 2LB.

CONTRACTS AND TENDERS

Socialist Republic of the Union of Burma Ministry of Mines No. 2 Mining Corporation Tin-Tungsten Expansion Project

The above project will be implemented by the No. 2 Mining Corporation over the next 24 months.

The project comprises of the construction of a 0.35 cubic metre bucket ladder-dredge, the construction of a centralised concentrator to process the Corporation's current and envisaged tin-tungsten production and the establishment of a gravel pump mining unit and renovation of hydraulic supply pipelines.

Tenders will be called for:

	Date	Documents
	Tender fees	available and bid period
No. 1 Construction of a Diesel Electric Bucket Ladder Tin Dredge, including the supply of all equipment, material and services and the provision of a construction site for the complete construction of the dredge, commissioning and handing over the dredge to the Heinrich Site. Bidders will be subject to post-qualification to ensure that they have the necessary capability and experience in this type of works.	600/-	May 1978 (3 months)
No. 2 The prefabrication of industrial buildings and auxiliary steel structures.	100/-	May 1978 (45 days)
No. 3 The prefabrication of secondary steel for the completion of mineral dressing plants	100/-	June 1978 (45 days)
No. 4 The supply of a wide variety of mineral dressing equipment including gravity, magnetic and electrostatic equipment.	100/-	June 1978 (45 days)
No. 5 The supply of a variety of workshop equipment.	50/-	May 1978 (45 days)
No. 6 The supply of a variety of electrical switchgears.	100/-	October 1978 (45 days)
No. 7 The supply of steel and other hardware necessary to construct the proposed plants.	50/-	June 1978 (45 days)
No. 8 The supply of various electrical accessories necessary for the construction of the proposed plants.	50/-	June 1978 (45 days)
No. 10 The supply of tugs and water crafts.	50/-	June 1978 (45 days)
No. 11 Power generating equipment.	50/-	May 1978 (45 days)
No. 13 The supply of various items of pumping and mineral dressing equipment necessary to institute gravel pump operations.	100/-	June 1978 (45 days)

Any organisation who is interested in receiving invitations to bid for the construction of the dredge or the supply of any of the components should write to the address given below enclosing the prescribed fee.

The Government of the Socialist Republic of the Union of Burma has received a credit from the International Development Association in various currencies equivalent to US\$ 16 (sixteen) million towards the cost of the project and intends to apply the proceeds of this credit to eligible payments for which this invitation to bid is issued.

Only suppliers in member countries of the International Bank for Reconstruction and Development and Switzerland are eligible to participate in this bidding.

Managing Director
No. 2 Mining Corporation
Ministry of Mines
Rangoon
Burma.

Address:

Project Controller
Tin/Tungsten Expansion Project
Osborne & Chappell Sdn. Bhd.
P.O. Box 255
Kyaikkala
Rangoon
Burma.

Osborne & Chappell Sdn. Bhd.
P.O. Box 67
Ipoh
Perak
Malaysia.

FIJI ELECTRICITY AUTHORITY MONASAVU HYDRO-ELECTRIC SCHEME Power Transmission Project

132 kV Transmission Line
The Fiji Electricity Authority (FEA) invites tenders from experienced contractors for the design, supply and erection on Viti Levu, the principal island of Fiji, of the following:

Contract 03/01:

132 kV Steel Towers Transmission Line, Vuda-Waiola-Suva
The proposed transmission line will interconnect the two major load centres of Nadi-Lautoka-Ba (Western Area) in the north west and Suva in the south east of Viti Levu via a hydro-electric power station which is to be constructed in the centre of the island. The proposed transmission line will approximate 143 kilometers in length and will traverse steep and heavily forested terrain on the eastern side (approximately two-thirds of route) and open arid country on the western side (one-third). The design and construction will be such as to withstand sub-tropical and cyclonic conditions.

Early completion is of the utmost importance and completion by June 1980 or earlier is required.

Tender documents will be available from: Messrs & McLellan & Partners, 122 Arthur Street, North Sydney, 2068, on payment of a deposit of \$A200 by cheque made payable to the Fiji Electricity Authority. Deposits for documents are returnable on submission of a bona fide tender. Additional sets of the documents are available at a cost of \$200 per set, which is not returnable. Tenders must be submitted to the FEA, P.O. Box 100, Lautoka, at the office of Messrs & McLellan, Ambery, Killinworth, Newcastle on Tyne, England, Carrier House, Warwick Road, London, S.W.1, Sir Alexander Gibb & Partners, Commerce House, Barron, A.C.T., or at the above address.

All tenders wishing to tender are required to visit Fiji to acquaint themselves with site conditions. It is anticipated that a site visit and a pre-tender conference at which FEA personnel and the FEA's consultants will be present, will be held during week commencing Monday 22 May. Further details will be advised not less than two weeks before the site visit and conference is due.

Tenders will be officially opened at the office of the FEA in Lautoka at 1000 hours on Monday 10 July 1978. A tender deposit of \$50,000 will be required to be submitted by each tenderer with his tender.

The FEA reserves the right to extend the stated date for the opening of tenders, to waive any infirmity in tendering and to reject any or all of the tenders received.

The FEA has applied for a loan from the Asian Development Bank towards the foreign currency cost of the transmission line and procuring tenders for the design, supply and erection by licensed members of the ADB. Further information regarding the above contract may be obtained from Messrs & McLellan & Partners, 122 Arthur Street, North Sydney, NSW, Australia.

TURKISH STATE RAILWAYS (TCDD)

The Chairmanship of Central Purchasing and Sales Commission

Tenders are invited for 3,000 tons of tensile steel for concrete sleepers of which the technical features are written in the specifications.

1. The above material is to be purchased by receiving bids from the countries who are members of the World Bank (IBRD).
2. The specifications prepared for this purpose in Turkish and English can be purchased from TCDD's Central Cash Office in Ankara and Sirkeci Cash Office in Istanbul with a price of TL5000.
3. The bids shall be received by or handed in person to our commission not later than Monday, June 5, 1978, 15.00 hours, for a meeting at TCDD Supply Department on that date.
4. The bids shall be submitted in seven (7) copies (together with their Turkish versions, if possible), and the words "TCDD İletişimi Genel Müdürlüğü Merkez Ajans ve Satım Komisyonu Başkanlığı Genel İŞKUR/ANKARA/TURKEY" and "This is an offer for the material subject to IBRD's loan" and also subject of the bids should be written on the envelopes containing the bids.
5. TCDD shall be completely free to award Contract(s) for all or some of the items to any bidder at its sole discretion.

PEOPLE'S REPUBLIC OF THE CONGO

Agence Transcogolaise des Communications Prequalification of Bidders

The Agence Transcogolaise des Communications is calling for the prequalification of bidders for works of telecommunications by cable or open wire line on the realignment of the railway Congo-Ocean between Bilinga and Loubomo of 100 km.

Prequalification documents are available if requested from:
Agence Transcogolaise des Communications
Boite Postale 670
Pointe-Noire, People's Republic of Congo.

Bids close on July 1st 1978.

COMMUNICATIONS

TV beamed from satellites

SYNCHRONOUS SATELLITES are carrying out linked research normally used at Laboratoires d'Electronique et Physique Appliquée (LEP) at the oceanic centre of the French Government. This centre is participating in a project in this sector of communications which has the back-stage of the French Government. This corresponds to a pre-amplifier and mixing stage coupled directly to it.

Wavelength chosen for the signal loss from the antenna by which corresponds to a frequency of 12GHz. This will permit the integrated construction of a lightweight and compact transmitter to be developed by the amplifier/ mixer and special gallium

carried by the satellites. At the receiving end, the home避难所field effect transistors owner will need to set up on his roof a small parabolic dish. The equipment is a antenna pointing at the satellite, conversion gain and able to receive signals from Europe for European purposes. The purpose of the equipment is to be over the equator in the world normally be received from the Atlantic area.

Philips believes that wide-area coverage of ground receivers from space will become common place within 10 years and has of losses in the coaxial cables.

But the microwave signal, as saturated received, could not easily be transferred to the TV set because DesCartes, 94450, Limonest, France.

TERADYNE has produced a powerful diagnostic system for manufacturing faults in board associated components.

Based upon Teradyne's L1 system, but having addition hardware and software module the L155 can handle more complex boards containing I devices, or a combination of analogue and digital circuits.

It is able to test from dc to 5 MHz—thus emulating system operating speeds.

guided probe diagnostics to point bus-line faults right the bad device and memory a pin capacity is large enough to accommodate even the most complex of today's boards.

Like a conventional guided probe, the electronic knife is a production line tool for use during testing and diagnosis.

Following the commands of the system's visual display, the operator places the probe on successive device leads until the device has been traced. It will then connect back to the main.

A troposcatter link from Cor

NORTH SEA oilmen in the to the new Post Office terminal Brent oilfield will soon be in South Shetland. The second

telephone communication with phase connects Brent C and Cor each other when Marconi Com. is morant into the system and

Marconi Systems' Instal radio establishes a line-of-sight micro

offshore stations, and addition and Thistle.

operator announces that the fan

device has been traced. It will

pinpoint faulty devices from

line-of-sight between this platform and Thistle among mixed logic families, and, diode

moving from one family

another without operator intervention or programme change.

It also overcomes the disadvantages of earlier techniques, particularly those employing microvoltmeters, because it operates independently of the resistance of the lead material and the point contact resistance.

If can find faults when devi

leads of copper are used or wh

low-current MOS devices are present, and also operates

multilayer boards having grou

plane.

Teradyne, Clive, How

Queen's Road, Weybridge, Surrey KT13 9XB, Weybridge

51431.

By agreement between the Financial Times and the BBC

Information from The Technical Page is available for use by the Corporation's External Services as source material for its one

news broadcasts.



Space Decks Limited are honoured to receive the Queen's Award for Export Achievement

SPACE DECKS Limited

Chard Somerset England TA20 2AA

Telephone (04606) 4141/6 Telex 46289

A subsidiary of Beyer Peacock & Co. Ltd.

a member of the NCI Group of Saudi Arabia.

Private Placement

April 1978

This advertisement appears as a matter of record only.

KLM

Koninklijke Luchtvaart Maatschappij N.V.

(KLM Royal Dutch Airlines)

Amstelveen/Netherlands

DM 70 000 000

5% Bearer Bonds 1978/1985

Financial Times Monday April 24 1978

لهم كما في المهم

without experience... but I can't get a job without experience!!!

Vicious, isn't it?

All over Britain there are thousands of unemployed young people trapped in this vicious circle.

In some areas it's as many as one in three. They are not work-shy. In many cases they have tried for dozens of jobs, only to find that, without experience or skills, they haven't a hope.

Yet we know for certain that if they could get some experience of working for a living or acquire a skill, their prospects would be much brighter.

Which is precisely why we have created the **Youth Opportunities Programme**.

Youth Opportunities Programme.

The Youth Opportunities Programme is a new plan to help employers help young people, even if they can't offer any permanent jobs.

It's based on the best elements of existing schemes that have succeeded in helping as many as 8 out of 10 participants into jobs. The idea is extremely simple: If you can take in young people for up to six months, introducing them to the benefits and disciplines of work, we will pay them £19.50 a week.

And there are no National Insurance contributions or tax returns to worry about.

They get invaluable experience, training and the chance to earn a reference that proves their worth. You get a chance to give them a future without having to take anyone on permanently—unless you want to.

The alternative.

The only alternative is a growing number of young people who feel discarded by 'the system' and a smaller pool of trained and enthusiastic people for industry to draw upon. And, if nothing's done, the inescapable truth is that by the end of this year the situation will be even worse.

Which is why the Programme is backed by the government, the CBI and the TUC.

How it works.

We have offices all over the country and our staff are eager to give employers every detail of the scheme.

At the same time, these offices keep in close touch with all the bodies concerned with unemployed young people in your area.

Which makes them uniquely

qualified to help you help young people.

If you're interested in participating in the Programme, our staff will help you plan an introduction to work for young people that will benefit them without disturbing the normal running of your business.

You are then free to choose the young men and women you feel have the most to offer—and whose future will be brighter as a result of training and experience under your guidance.

What to do

Get the full story from Roger Panton,
Manpower Services Commission, Department
FT2, Selkirk House, 166 High Holborn, London
WC1V 6PF Tel 01-836 1213

Our future workforce depends on it.

YOUTH OPPORTUNITIES PROGRAMME

MSC
Manpower
Services Commission
Special
Programmes

Building and Civil Engineering

Quarrying in Tanzania

REDLAND Technology, the Bamford Sheepbridge Equipment, Frederick Parker and central engineering, research and development organisation of the Redland Group, has been awarded a £1.5m. contract to establish a quarrying company to produce aggregates for the construction of the new Tanzanian capital city of Dodoma.

The projected company, Integrated Concrete Industries, will be set up by Redland as a wholly-owned subsidiary of the Capital Development Authority.

The contract will be carried out in close collaboration with Redland Aggregates and the plant which will be mainly of U.K. origin will be commissioned in the autumn. Companies supplying equipment include J. C. Tanzanian Government.

Start on £21m. motorway

WORK HAS just started on the new M38 motorway which will run from the M6 near Skelmers.

Work to be undertaken by Fairclough includes a bridge carrying the Walton Junction-Preston railway line over the motorway, a bridge over the Leeds-Liverpool canal, and diversion of the River Ait in both culvert and open channel at the Maghull interchange.

Power on the site

POWER requirements needed during the construction of the £52m. Galadari hotel complex in Dubai in the United Arab Emirates are to be met by a range of Wysepower electrical systems.

To win the contract from Cementation International (acting on behalf of the main contractor Galadari Cementation Construction (Private) Wysepower design engineers—working from site layout drawings—put forward a comprehensive package scheme to cover every all on-site cabling.

£10m. work to Cubitts

TWO LONDON contracts totaling £7m. and four other jobs in Devon and Lancashire worth another £3m. have been awarded to Cubitts.

In St. James' Square, London, Cubitts is to carry out a £5.3m. contract for Machurst on behalf of U.K. Providence, to extend construction in Skelmersdale by Architects T. P. Bennett and Son and completion is scheduled for the end of 1979. Not far away, in Mayfair, Cubitts General Contracts is to convert a company at Bootle (£700,000).

Yemen order for cranes

THE PEOPLES Democratic Republic of the Yemen has ordered six self-erecting mobile tower cranes costing £40,000 from the Crane and Mixing Division of Babcock and Wilcox.

The outward-bound cranes are electrically driven with a maximum height under the hook of 30 metres. A load of 2.85 tons can be handled at the maximum working radius of 30 metres and each crane is supplied with 70kW diesel-electric generator and spares for two years operation.

The cranes will be used in three factories currently under construction in the Yemen. The factories are to manufacture concrete components for industrialised building projects.

Laing's £30m. contracts

MAJOR department stores, such as John Lewis, British Home Stores, Littlewoods, Boots and C. & A. will occupy a £25m.-plus project at Queensgate Shopping Centre, Peterborough. John

Laing has just started work on the shopping centre towards which Norwich Union is providing up to £24m.

A further venture, the full renovation of the existing Clydesdale Bank head offices in Glasgow, is due for completion in a contract period of 18 months at a cost of £1.3m.

At Market Harborough, Laing is to build warehouses and offices at the Old Railway Goods Yards under a £900,000 contract, and a new store for the Co-op in single carriageway with three roundabout interchanges, seven underpasses and a footbridge.

Alteration and improvement

work to the value of some £600,000 is to be carried out on a major department store at Croydon's Whight Centre, due for completion early in the New Year.

£1m. award to Brims

BRIMS AND CO. has won a

contract worth almost £1m. for roadworks in Tyne and Wear.

At Washington for the

Development Corporation, it is

to construct Stage 2 of the

Northern Expressway phase 1

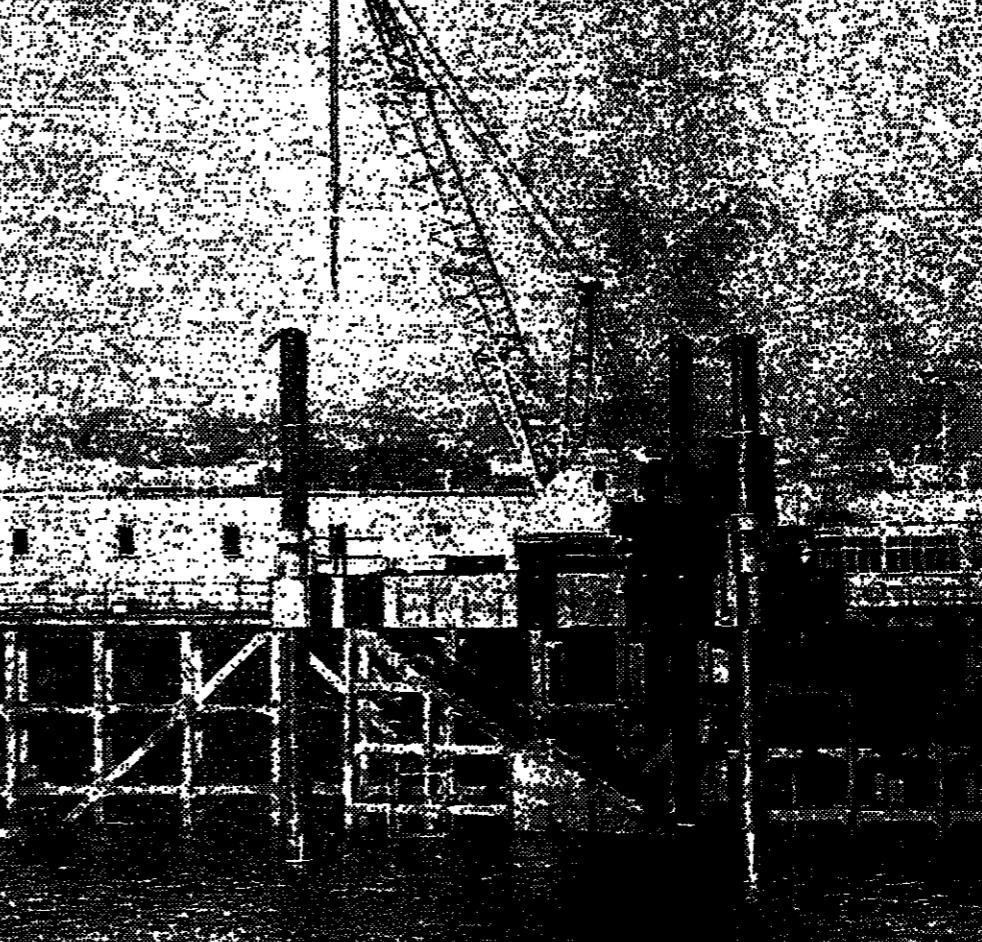
and this calls for about 3 km. of

two contracts, totalling over

£1.3m., have been awarded to

A. Monk and Co.

A. Monk and Co.



Platform aids harbour work

THE FIRST three-legged Flexi-float self-elevating platform to go into operation in the U.K. is being used by Taylor Woodrow Construction on a £650,000 contract in Douglas Harbour, Isle of Man, for the IoM Harbour Board.

Bridge and road work

One is for the reconstruction of the hard shoulder of the M1 motorway between junctions 10 and 13. Lengths of the north-bound hard shoulder will be excavated, some drains installed, catchpits and gullies adjusted and pavement reconstructed.

At Lemons Hill, south of Ipswich, a 230-metre-long bridge is to be constructed in a project placed by the Anglian Water Authority. The bridge will have 10 spans, the deck incorporating precast concrete beams with in situ concrete top slab and end diaphragms.

Part of the work will include a 900-metre road diversion and a 100-metre bank embankment. Consulting engineers for this are Binnie and Partners.

£2m. rail viaduct

A £2m. design-and-construct contract has been awarded to Raymond International by the Trans-Gabonese Railway Authority for a 650-metre railway viaduct across a flood plain on the equator, 150km inland from Libreville in Gabon.

Groups of four piles will be driven at 10-metre intervals projecting up to 7 metres above ground. A concrete pile cap will be constructed for each group and Corten steel bridge sections, prefabricated by John Booth and Son of Bolton, will span these caps. Raymond is transferring piling equipment from Nigeria and importing other material and equipment from Italy and the U.K.

The Trans-Gabonese Railway is being built for the transport of raw materials from the interior to the coast.

Trade body grows

AT ITS annual general meeting in London last week The Glass-fibre Reinforced Cement Association reported that it had now 90 members compared with 73 a year ago.

One of this comparatively new organisation's main aims is to encourage wider acceptance of its members' products and its first Code of Practice (Guide to Specifications) has now been produced. Further specifications for products such as cladding are to be issued.

Papers presented at last year's International Congress on Glass Fibre Reinforced Cement held at Brighton have been bound into a 344-page volume which is obtainable price £15 from the Association at Farthings End, Dukes Ride, Gerrards Cross, Bucks SL9 7LD.

IN BRIEF

• Improvements to a major Lewisham junction in South East London to ease congestion on the South Circular Road will start in December, says the Greater London Council. The estimated cost for widening the junction and setting back the kerb-line is £212,000.

• The Rochester-based division of FPA Finnegan (part of the FPA Construction Group) is to construct 22 old peoples' dwellings at Beacon Hill, Chatham, Kent, for Medway Borough Council, at a cost of just under £1m.

• Pergamon Press has appointed Bovis Construction to convert a stable block at the Headington Hill site, Headington, Oxford, into open-plan office accommodation at an approximate cost of £102,000.

• An off-shore piling contract at the GLC's Thames Barrier project, Woolwich, has been awarded to West's Piling of Colnbrook by Sindall Construction. The £300,000 work involves supplying and driving 603 West's Harddrive piles deep into hard chalk stratum below ground, to form foundations of a high control tower for operating the flood gates and lock and ancillary buildings such as a workshop, generator house and sub-station.

Financial Times Monday April 24 1978

the sinews of industry
CRENDON
precast concrete structures

CRENDON CONCRETE CO. LTD
Thame Rd, Long Crendon,
Aylesbury, Bucks HP16 9BB
Tel: Long Crendon 208481

Henry Boot gets work worth £1.1m.

FOUR contracts totalling £1.1m. have been won by Henry Boot Construction.

At the British Steel Corporation's Stocksbridge works the company is undertaking a 3-week contract worth over £800,000 for an extension to a melting shop, while for the City of Manchester it is to design and construct 22 advance factory units on four sites at a cost of £1m.

Another award is for the second phase of a housing project for Harlow Development Corporation. This is worth £275,000. The fourth contract for Timbarn Products for which an office block is to be built adjacent to the company's factory on the Winsford Industrial Estate in Cheshire.

Plant hire survey

THE BRITISH plant hire industry is the subject of the latest survey from Jordan Datacare. The survey covers 388 firms, including 35 extra companies, and shows that the largest 120 private companies generated average margins of 7.9 per cent, slight improvement from last year of 2 per cent.

It seems, however, that the profitability of the industry as a whole may have declined—17.9 per cent of companies included were new, sustaining losses against only 12.9 per cent last year.

Newcomers among the top 120 private companies include Matson and Johnson, Vale-Plant Holdings and Steel Plant Hire—of the quoted companies, Vibroplate Holdings achieved profit margin of 27.4 per cent, an all-time high of 26.5 per cent.

The survey indicates that quoted firms are paying an average 10 per cent better wage than the private companies with G. W. Sparrow amongst the best-paying firms, with an average wage of around £5,000.

Part of the construction materials will be delivered from Finland for the project for which the publisher at Jordan House, completion time is estimated at 22 months.

FINN (01-253 3038).

ATCOST. THE KEY TO ECONOMICAL EXPANSION

Thinking about a new factory, office block, computer installation or warehouse? With the economy picking up, many companies are. But many are also put off by the apparently high costs involved.

Happily, that's where Atcost can help.

As Britain's biggest manufacturers of precast concrete structural frames, we can meet virtually any individual building need—but at prices that fully reflect all the benefits of mass-production.

The Atcost system also speeds construction.

Cutting costs even further, getting your new plant on stream even sooner.

Now's the time for action, so send our coupon today. It could be the key which opens up a highly profitable future.

Even building project in mind?

Please send information on Warehousing □ Factories □ Offices □

Name _____ Position _____

Company _____ Address _____

Tel _____

The Atcost Group Industrial Division

22 Old Bond Street, London W1X 3DA. 01-433 0862

SCOTLAND Muir Road, Stirling FK7 7TA. Stirling 62911 FT4

Before Wellington was big enough for his boots
Trollope and Colls had won their spurs.

Trollope & Colls

City Builders
for 200 years

1978-1978

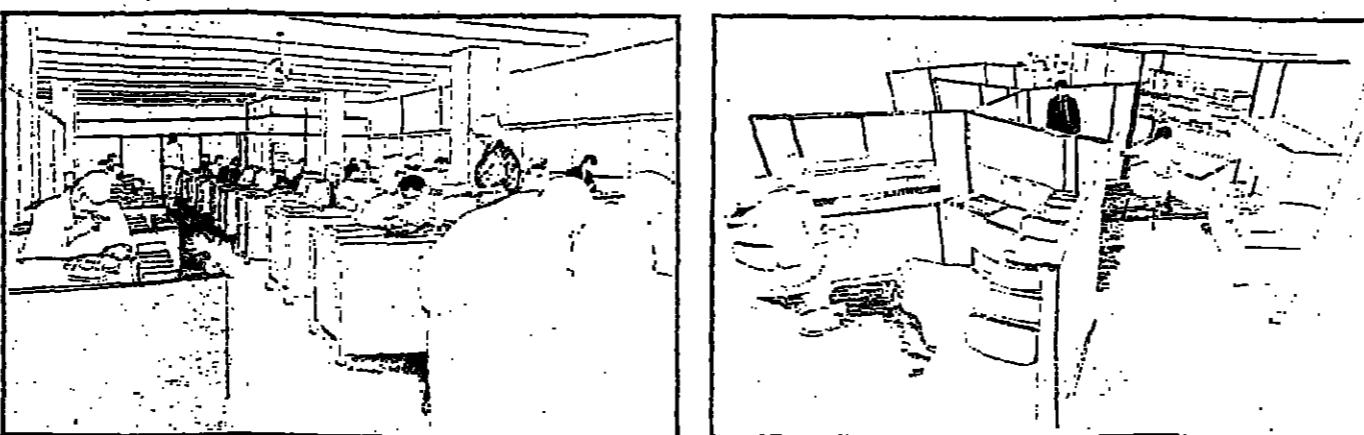
مكتبة المعلم

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

How we can all have a hand in the office of the future

By Francis Duffy



How management attitudes are reflected for all to see: rigid, open, rectangular layouts (left) reflect the view that clerks are units of production; screened workplaces (right), which became common in the mid-1960s, as new types of professional demanded greater privacy and special storage.

The glaring shortcomings of most executive office buildings in Britain have already been spotlighted on this page (October 24, 1977). Francis Duffy has also discussed (January 9, 1978) what he sees as more subtle deficiencies in such well-designed buildings as the Halifax Building Society headquarters (Building Design Partnership) and Central Bank (Herman Hertzberger). Today, he takes a more positive line.

TO MANAGERS, design tends to mean something optional and extra-jam rather than bread and butter. Neither designers nor managers have grasped that office design is much more than a collection of objects—it is inevitably a direct and unequivocal statement of management intentions, so clear and unambiguous that it is a medium of communications—both with staff and the outside world—of considerable significance.

It is the opposite of the story of the Emperor with no clothes. Someone persuaded the Emperor that he was arrayed in fine garments when he was naked. We are dressed in rags—by our equalled offices—but we think everyone looks straight through them at the real values which lie beneath. They, and therefore we ourselves, are all too apparent for all to view.

Take open plan. The great open plan office, with rows of desks arranged in strict rectangular order, was perfected in the early years of this century in the U.S. Open but regimented layouts were directly influenced by "work study" techniques first invented for industry by people like Taylor and Gilbreth—the American pioneers of "time and motion"—and applied to clerical labour very shortly afterwards.

Scrooge

The typical new office of the turn of the century was for a business which required an army of clerks to control innumerable small transactions. The primary objective was the efficient use of masses of low-level clerical skills. The kind of open plan office which resulted proclaims that message loudly and clearly. In the same way that Scrooge's office of 80 years earlier was the product of different technology and behaviour, it or not of the far higher status of the clerk. There was then a far closer relationship between the entrepreneurial owner and the rare and indispensable Bob Cratchits than between the Chicago capitalist and his thousand clerks.

An entirely different kind of open plan was invented in Germany in the late fifties: office landscaping. This could be considered merely as a different kind of design, characterised by potted plants and informal desk arrangements. In fact it is much more. It is a direct representation in physical terms of the generation of management ideas which superseded Taylorism.

These leafy, random layouts are derived from "human relations," the school of management thinking invented in the '30s in the wake of famous experiments at Western Electric's Hawthorne plant in Chicago, which showed that productivity is not directly related to the quality of the physical environment, but takes account of human factors, thus softening the conflict between men and master implied by Taylor's view of men as a machine-like unit of production.

Physically the new office layouts were very different from what went before. Office landscaping is instantly recognisable but it was not an arbitrary design gimmick—it was a clear reflection of management ideas which were becoming dominant at the time. Greater management concern for staff was manifested in a higher quality of environment; the abolition of status symbols was an attempt to make management more approachable; the fires, grannies, and specialists who

invented in the U.S. in the mid-1960s.

Why? Because, for instance, the problem of accommodating certain new professionals—pro-

need contact as well as a lot more and certain signs of the advance of privacy, who are users of participative management manuals and references, and more.

An alternative explanation is that innovations such as screens and desk lights are trivial, and merely fads of organisations to interest a forward-looking furniture manufacturer.

A new class of office worker emerged: a new kind of office layout followed straight away. Because this kind of office worker was becoming so important, screen-based layouts threatened at one time to become mandatory for any forward-thinking client.

Task lighting, less spectacu-

larly but more fundamentally, is simply the provision of a local light at the workplace, the sort of lighting top management and draughtsmen have enjoyed for years. In Scandinavia, most workplaces in most offices seem to be equipped with task lighting—every Swede is born with an anglepoise, if not in his mouth, at least at his desk. But the advance into other jobs and other countries of this single piece of equipment is a physical symptom of a very profound change in relations between management and staff. An office worker's control over his workplace lighting is an indication of control over the way the work itself is done.

This kind of furniture was invented in the U.S. in the mid-1960s. Why? Because, for instance, the extent of Christendom is marked by church bells, and of Mohammed by the minaret, so

the mass of office workers can enjoy what once were managerial preserves.

These seem to be good, highly desirable consequences. Already in Sweden, where industrial democracy is as advanced as anywhere in Europe, new building projects have to be approved by staff before they

which seem inappropriate to are authorised to proceed. What management or staff or both evidence we have suggests that just do not stand up. Nothing is as fragile as an office interior swing away from the corporate design concept which does not values expressed in the sixties, style of office landscaping, towards building forms which

are more cellular and, in one number of pressures bearing upon the designer. New more fitting to the demands of machines, new techniques and the majority. Certainly they are new styles of management which are different.

An inevitable impact. In many

Probable in Sweden and per-

haps the designer is merely hapless in Holland, the prototypes

are already here. While it would be

foolish to discount the possible

divergent impact of other factors such as energy conserva-

tion, and the need to provide

buildings with more services to

support for more terminals and

telecommunications devices the

dominant management style of

future organisation alone will

have a major impact on office

architecture. If this style is

participative, buildings will be

profoundly influenced.

This prediction could be made

with far more certainty if

there were more signs of strong

consumer interest among users

of office buildings, or if white

collar unions began to take an

intelligent interest in the work-

ing environment of their

members. But even without

overt pressure, the reality of

changing management styles

will slowly and inexorably work

its way through the office

interior and the office building,

just as Taylorism and post-

Hawthorne human relations

thinking profoundly influenced

earlier generations of offices.

This could be a great oppor-

tunity. Not one major innova-

tion in office design has been

made in this country in this

century.

Vigorous

British office buildings are group boundaries strongly but flexibly. This is particularly easy to attack but they are all important, as small project too obviously the products of groups and interlinked but a low-spirited economy and society. Negative criticism after the event does not help the poor architect or building owner. But a more vigorous economy and changing attitudes to the running of organisations should demand a far more intelligent response from architects and designers. Even if we cannot spell out precisely what we expect, the general direction should be better.

If it is not, and there are no new ideas in our offices, then

don't just shoot the architect.

Once again we will have got the buildings we deserve.

Francis Duffy, ARIBA, is a partner in Duffy Lange Giffone, Worthington, designers and space planners.

Discovered: small firms training gap

THERE is, it appears, a substantial body of opinion in business that the last thing a manager needs is training. One in four companies in London and the South East offers its managers no training, and among the smaller companies, employing less than 100, management training is provided in less than half of them.

These findings come in a survey sponsored by the Manpower Services Commission, which found that those managers who did receive training thought it had made a "positive contribution" to their work.

The managers' own belief in training is amply demonstrated by the survey's finding that it is often they themselves who suggest attending training programmes: 26 per cent of those who had recently attended a programme fell into this category. Only 18 per cent went at the behest of training managers.

Inevitably large companies were found to be more committed to training their managers, with a quarter of them attending courses last year, compared with only a sixth in small companies. The survey includes supervisors in its definition of managers.

The MSC says that for the great majority of the 389 companies surveyed, "learning by trial and error" was considered the most important part of a manager's education.

An interesting profile of the average manager is suggested by the survey. He is likely to have been recruited from outside rather than promoted from within. Nearly twice as many future managers come straight from school than from colleges and universities. One manager in five has no formal educational qualification, yet one in four has a professional qualification, says the survey.

Private training organisations are rated well for providing training which is "relevant" to requirements. But they are criticised for being too expensive, and the professional bodies are felt to be too narrow.

Of the managers attending training, two thirds studied management, the remainder technical or specialist subjects.

Copies of the survey are available from Professor Keith Alwyn-Smith, Director, London Regional Management Centre, 311 Regent Street, London W1R 1AT.

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LOMBARD

You pay your money . . .

BY BILL COCHRANE

THE LONDON traded options can see why some stock market traders might have been taken are those of us who would have by the idea of options, creating preferred such an announcement edged with black. The opinion will probably be described as both prejudiced, and typical of the man who argued that the p/e ratio would never catch on. But it is not a singular view. W. Greenwell, for example, some time ago damned the detailed proposals for the market.

Opponents of this market are finding it difficult to damn it with faint praise—its own proponents have already made a fair job of that.

Various studies in the U.S. they say, have shown that the existence of an option actually enhances the value of the underlying security. In that it increases liquidity. The educated reply to that is that profits made must equal profits lost; and that the investing community will lose, in total, an amount equal to the costs of running the exchange and the revenue of the professionals.

Putting it more simply requires, first, a definition of the option, and of the equity. The former, for a price, carries the right to buy into a share (again at a price) over three, six, or nine-month intervals.

Equity itself is the difference between what a company owns and what it owes, making it a volatile component of the corporate structure—one reason for the volatility of ordinary shares. The stock market valuation, however, is based on an assessment of intrinsic value, plus or minus the "goodwill" element. The latter varies between hope, lethargy and despair.

Importance

The importance of the goodwill element has been illustrated by the share price performance of some big contractors—it's building, engineering, or the heavy electricals. The professional adage was "buy on the order," yet the company could quite conceivably make a loss on the contract itself.

"Sell on the strike" was another—BP shares went down when it actually struck oil in Alaska. The performance of ENI, with its famed body-scanner, is recent enough to speak for itself.

But there was no point in saying that a share had relative charms when the whole market was going down as it did dramatically. In 1972-74, "All the luckless investor could do then was lose a little less than average. Given that, the slump in stock market trading volume and the investor inertia which continued well after the nadir, one of that . . .

THE WEEK IN THE COURTS

Law Lords draw boundary line

BY JUSTINIAN

TWICE last week on successive days the House of Lords thwarted the efforts of two Commonwealth countries to have returned fugitive offenders to stand their trials in those two countries respectively.

In both instances the judges took upon themselves the task of drawing the boundary line between judicial power and executive action—an issue that is every bit as thorny as the ambit of parliamentary privilege and the courts' powers to take contempt proceedings against the publishers of parliamentary proceedings.

Although by a short head the Law Lords were three to two Mr. Tarling of Slater Walker fame won the day in court, he still faces return to Singapore on five lesser charges of false accounting that were not the subject of an appeal from the decision of the lower courts that the Singapore Government had successfully sought his return.

But extradition, both to foreign countries under the common effect of the Extradition Act 1870 and individual treaties with other States and to Commonwealth countries under the Fugitive Offenders Act 1967, the last word on return lies with the Home Secretary. Parliament, in both statutes, variously provided that executive discretion should act as a long-stop in the judicial wicket-keeper. Even if the courts order the fugitive criminal's return the Home Secretary, either generally or on the same grounds rejected by the courts, may discharge the offender from custody and deny the foreign government their fugitive.

On a less impersonal level, let us take the case of Aunt Agatha who has £1,000 to put in to ICI. She might also have a smart broker who could tell her that she could have, say, ten times the action by putting her money into ICI options. Auntie, incidentally, would also be paying £25 basic commission for three-month options to her broker against £15 for the straight equity route.

But maybe Aunt Agatha is a worrier. Maybe she could spend her money in a number of ways. As a worrier, she might work out that her stock would appreciate by ten percent within three months for her to avoid losing all of her investment: as a consumer, she might decide to get the same action for a tenth of the price, leaving the other nine tenths available for the odd pipe of port and a few lemon trees. So the small investor is not only a dying breed; she's getting even smaller on the way to the mortuary.

So much for liquidity. In fact, the only way one can see options as an extension to the market is as an alternative to the betting shop, and Saturday afternoon in front of the telly. But with only a few gee-gees and no Tote, there seems little hope that the investor inertia which continued well after the nadir, one of that . . .

ago before the Chief Metropolitan Magistrate. That unfairness is indeed likely to weigh heavily with the Home Secretary when he comes to decide whether to return Mr. Tarling.

But the Home Secretary is more likely to refuse to order Mr. Tarling's return on another ground that would have been open to the courts had it been advanced by Mr. Tarling's lawyers. A fugitive offender may claim that by reason of the trivial nature of the offence it would, having regard to all the circumstances, be unjust or oppressive to return him. While Mr. Tarling faced the serious charges of fraud there was little point in relying on that provision in respect of offences that did not involve dishonesty. But now that the false accounting charges stand alone, the lawyers will pray in aid the Home Secretary's residual power.

Under the Companies Act 1948 the offences in England would have carried a term of imprisonment, although it is not an offence that normally has attracted a prison sentence, at least not for a first offender. But since the passage of the Companies Act 1970 the penalty has been only a fine. The Fugitive Offenders Act 1967 requires that the offence in England would be for 12 months imprisonment or more. And although the law of Singapore complies with that provision, the Home Secretary may rightly regard the offences as trivial and decline to hand over Mr. Tarling.

Whenever in the past the twin powers of the courts and the Minister have been in play, the courts have almost as a matter of policy promoted the Minister from being a long-stop to an immediately behind the stumps. The judges have taken off their judicial robes and disappeared into the off-field.

That could not be said of the attitude of the House of Lords in the second case last week where the Cyprus Government sought the return of a man charged with murder in April 1973.

The Law Lords readily donned the mantle of protective agent for the fugitive offender, even though they were aware that the Home Secretary might have summoned him in as the long-stop. The crime had clear political overtones. The fugitive offender, Mr. Kakis, had been a member of EOKA B, the party of General Grivas and his victim, a member of EDEK, which was the party supporting President Makarios. Immediately after the killing Mr. Kakis and his friends fled to the hills and remained in hiding until the day of the overthrow

of Makarios on July 15, 1974.

He took part in the coup, and thereafter fought against the Turks following the invasion of Cyprus. In September 1974, armed with an exit permit from the Cyprus Government, he emigrated with all his family to this country where he settled down to a respectable hardworking life, abandoning his previous political activities.

Shortly after Archbishop Makarios returned to Cyprus in December 1974, he announced an amnesty for all the political crimes committed, and especially for the culprits of the coup.

Secure in the knowledge that he would no longer be arrested for his crime, Mr. Kakis returned to Cyprus alone for a month in January 1975 to clear up his affairs. Once again the authorities, faithful to the President's wishes, refrained from executing the warrant for his arrest that had been outstanding since April 1973 and indeed gave him yet again an exit permit to leave Cyprus for Britain.

It is the goalkeeper and second centre-back must have earned Forest at least ten points during their campaign for the title, and it was the efforts of this pair that clinched the League title.

As a result, they have turned to an ageing half-back and a

midfielder who have been used to make the most of the talent contained in the ranks, and the most successful side in the country.

It could be said they have been fortunate at the best five clubs in the division last year. Liverpool, Manchester City, Ipswich, Aston Villa and Manchester United, have all declined to varying degrees.

One has to feel that Forest is to play again this season, and that the manager is showing that he has the ability to turn things around.

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FINANCIAL TIMES

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Monday April 24 1978

Unreasonable rejection

LONDON'S unique position placing power spread right across the market place—which is based on the fact that it is a truly international market. Something like three-quarters of its business is denominated in currencies other than sterling—and its heart lies in Lloyd's. So when the Committee of Lloyd's takes a decision which effectively prevents prominent international insurance brokers from having direct access to the Lloyd's market, the inconsistencies are glaring.

All business placed at Lloyd's has to go through Lloyd's brokers, and the Committee ruled last week that no more than a 20 per cent holding in such firms could be acquired by outside insurance interests. These were defined as an insurance company, an underwriting agency or a non-Lloyd's broker. The decision was put forward as the conclusion of a working party which had been looking into the question of brokers' independence for many months, and the idea that any issues of nationality were concerned was loftily dismissed. Conveniently, however, the working party's report coincided with takeover approaches by two of the biggest insurance broking firms in the U.S. for Lloyd's broking firms. These now appear to have been ruled out of court.

The reason
The stated reason for the ruling was the need to ensure that all Lloyd's brokers remain genuinely independent and free to obtain the best terms for their clients whether at Lloyd's or elsewhere. But the fact is that most of the leading Lloyd's broking firms themselves control Lloyd's underwriting agencies without any apparent conflict of interest. Some also own non-Lloyd's underwriting businesses. Others are themselves owned by large outside financial institutions, such as a bank. A few are controlled by overseas interests.

At a time when their business is not as buoyant as it has been in recent years, some Lloyd's broking firms undoubtedly felt threatened by the thought that if the takeovers were allowed to go ahead, the U.S. companies would channel their business through their London subsidiaries at the expense of the remaining independent firms. This might have happened to some extent. But what a big broker needs most is skilled customers.

The Costs

Last week's ruling does not have any dramatic implications for the short term. Overseas brokers do not place business in London as a matter of largesse: they come because the market has the capacity and the skill to meet their requirements. They have not been deterred by the need to go through Lloyd's brokers in the past and—although there has been a certain amount of huffing and puffing in the last few days—they are not going to change their policy just out of pique.

But there will be longer-term costs, even though they may be impossible to measure. A market loses in efficiency if it limits the access of healthy participants. What has been lost is the opportunity of building a new bridge between the market place and its biggest customers.

Turkey should try harder

CYPRUS HAS been an international problem for so long that it is easy to overlook its continuing potential for crisis. To-day the cynical might argue that its threat to the world community ended in 1974 when the Turkish armies imposed their "final solution" and almost half the population of the island was uprooted and resettled. But nearly four years later Cyprus remains the West's tinder box.

It would be pleasant to say that Turkey's (grossly-delayed) proposals for a settlement after its situation. But, when they were finally tabled—to many it seemed as if the mountain had merely brought forth a mouse.

Disheartening

The constitutional proposals were only an indicative outline. Moreover what they indicated was disheartening for those who believe in the UN's virtually unanimous demand that Cyprus should remain independent, sovereign and unitary.

Instead of this, the two communities would have their own separate security forces, their own separate legislatures and central banks, and be able to sign separate treaties with any outside state. The powers of the federal state would thus be limited.

If it is issues of law which are at question here, the question of equity is raised by the Turkish proposals on territory which are far short of the amount the Greek Cypriots demand to restore the balance of land to population.

Questionable in law, tough in equity and harsh in economics—the 20 per cent of the population in the north will control nearly one-half of the country's economic resources—the Turkish Cypriot proposals are hardly the step forward which had been hoped for. More had been expected now that Mr. Bülent Ecevit was back as Prime Minister of Turkey.

Mr. Ecevit's own argument is that as trust is established so more powers will be given to the federal government and

the crucial rights of freedom of movement and settlement will be activated.

This is a powerful argument but Mr. Ecevit has done his cause a disservice by not doing more to allay Greek Cypriot suspicions. It was he who sent the troops into Cyprus in 1974 and even to-day he continues to flout UN resolutions by leaving 25,000 of the original 40,000 invasion force there. The presence of one Turkish soldier for every Turkish Cypriot family inevitably influences local politics.

The last Turkish Cypriot "Prime Minister," Mr. Necat Konuk, says that "Right-wing extremists" have taken over the ruling party. His successor, Mr. Osman Orek, is on record in 1975 for saying, "we want to be the 68th province of Turkey, but Ankara will not let us. Hardly an attitude which squares with to-day's 'federalisation through evolution.'

In all this, the West has done little better in restoring the rule of law than it did in 1974 at the time of the junta's coup.

Finding sympathy abroad but little support, President Kipriano is in an untenable position.

Responsibility

With the 2,000 missing Greek Cypriots unaccounted for and the church militant, it is almost impossible for a Greek Cypriot to accept wiping the slate. But the international mood is against them and the acute problems the Turkish Cypriots faced before 1974 are remembered abroad.

To-day the West is keen to see fresh talks between the two communities, and the Greek Cypriots have to recognise this. But if Dr. Waldheim's reconvening the talks is to have any value, they cannot afford immediately to fail. The responsibility for rebuilding trust has to be with the stronger party—in this case the Turkish side. And it is up to them to show that they can do better and offer more than they have so far.

Amoco Cadiz wreck leads to changed shipping routes

By IAN HARGREAVES, Shipping Correspondent

WHEN shipping companies got together in 1983 and proposed the world's first recommended safe shipping routes, the danger they sought to avoid was that of icebergs.

The Titanic and a number of other notorious disasters demonstrated the failings of these early routes just as, last month, the grounding of the supertanker Amoco Cadiz off Brittany

gational considerations are the Straits, only in 1982 and it has miles from land to fix their any of these schemes have ship's position by reference to a landmark or light. Instead

they will have to use electronic devices. The second consideration is that the new scheme of the International Regulations for Preventing Collisions at Sea (1972) has already brought an improvement in navigational safety. There was a 38.5 per cent reduction in the number of contraventions in the Dover

Straits between the first and last quarters of 1977. The number of collisions has fallen 75 per cent since 1971.

Movements up and down the Channel involve about 300 ships a day, with the additional hazard of another 200 cross-Channel vessels in the summer peak.

One reason why so much is known about the Dover Straits' scheme, apart from its age, is the unusually large amount of shore radar cover and surveillance from both sides of the Channel. This enables coastguards immediately to warn a vessel breaking the rules and instruct it to resume its correct course.

Prosecution of offenders for straightforward contraventions is also made possible by radar surveillance. Before this, the authorities just had to rely on reporting offenders involved in accidents, which is the case in almost all other routing schemes. Even so, there is a strong feeling in many quarters that the penalties applicable are derisory in the light of the value of the ships involved.

Prosecution depends upon straightforward contraventions of the compensation costs payable by the owners of the Amoco Cadiz and her cargo. The achievement in pushing IMCO, the UN maritime agency, into full agreement on a radical new scheme just over a month after the accident is in itself something of a landmark in maritime history.

The new scheme, which

should be in operation by the end of the year, channels laden

vessels away from the Island of Ushant,

which is close to where the Amoco Cadiz was wrecked.

It is controversial not so much because it forces tankers to make something like a three-hour detour but because it sacrifices two important navigational principles in the interests of protecting the French coastline from pollution. These nav-

ers are not so much of a hazard to the environment as they are to the safety of the ship.

It is not surprising that ships

of the action taken varies considerably. Britain, for example, has powers to impose a maximum fine of £100,000, although there were plans to increase this to £1,000 in the Merchant Shipping Bill, which has failed to

pass. The new scheme is in the Dover

Straits reported by the authorities between July 1977 and this February, only nine led to fines.

The largest was a Belgian

ship, with a penalty of £200.

But at least in the Dover

Straits scheme, the lanes have gained acceptance and a degree

of enforcement is possible. In other schemes, such as the one illustrated off Lizard Point, Cornwall, and even more so with schemes in the Irish Sea, it is accepted that contravention is widespread.

The problem with the Lizard

scheme appears to be simply one of ship's masters preferring

more convenient and shorter routes when travelling northwards.

The northbound lane is about ten miles from land and

masters prefer to sail closer to the coast.

In the Irish Sea, there are a number of schemes,

but resistance by fishermen, who claim the system makes

it unnecessary to sail with confidence.

The anxiety is that crews are

either not fully trained to operate

or that they place too much reliance upon it and are

partly lack of hydrographic information in the Ushant area

separation lanes being widely

ignored.

One of the most popular

suggestions as a result of the Amoco Cadiz has been the idea of providing a land-based

separation lanes being widely

ignored.

Commander John Pato

chairman of the IMCO traffic

separation group and himself

hydrographer, says the idea of

providing a land-based

separation lanes being widely

ignored.

Another difficulty which has

been less Government attention

than it deserves is that of

hydrography. Britain is one of

six countries which provides

information to the world

on the bridge at sea than

on the bridge at sea

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HONG KONG III

The somewhat freakish behaviour of the economy during 1977 has left Hong Kong wondering whether its traditional policies based on private enterprise are still adequate. The next few years may well see a slowing down of the growth rate.

The economy

HONG KONG's economic record in the past few years seems to justify the Government's frequently proclaimed faith in the virtues of private enterprise. The economy has been managed in a minimum of official intervention. Budgets are normally balanced in surplus; there is little debt and interest rates are competitive mainly with a view to stabilising the exchange rate rather than stimulating or satisfying demand. It has been based on classical free market principles and with the usual absence of controls

more slowly than the Government had expected (by only 5 economy growing steadily what official forecasts of 8 per cent), the next few years. The Mass Transit Railway project, which

has seen the much of the economy during its bad years (notably in 1974 and 1975) the gross domestic product grew by less than 2.5 per cent annually—but has done

tremendously well in its good years, especially in 1976 when the GDP grew by nearly 17 per cent.

If the peaks and troughs are pruned out Hong Kong turns out to have maintained an average real growth rate of about 9 per cent per year since the early 1960s, or of about 7 per cent per year in capital production. It has achieved this rate of expansion almost entirely on the strength of its exports

which, for the past ten to 15 years, have consistently produced over 80 per cent of the Colony's major trading partners.

The question which confronts Hong Kong today is whether the traditional recipe for non-interventionist growth (with Colony's major trading partners) is still adequate. One reason why the picture is

BASIC STATISTICS

Area	494 sq. miles	Exports to U.K.	£440m.
Population	4.4m.	Trade (1977)	
GDP (1976)	£HK47.1bn.	Imports	£HK48.7bn.
Per capita	£HK16,750	Exports (to end Sept.)	£HK44.8bn.
Trade (1976)			
Imports	£HK43.3bn.	Imports from U.K.	£271m.
Exports	£HK41.6bn.	Exports to U.K.	£434m.
Imports from U.K.	£284m.	Currency	£1=HK8.54

financially independent statutory authority). The result is that the size of the budget has not grown by leaps and bounds as major projects have been undertaken—public spending, excluding that of statutory bodies, in fact remains at 19 per cent of GDP which is a low level by the standards of most other semi-industrial economies.

While the budget has remained firmly under control, however, the construction and civil engineering industries have been expanding by leaps and bounds. Construction expenditure (stimulated in part by what may have been a temporary boom in private housing) rose 34 per cent in

1977 to reach 12 per cent of GDP, or the highest level since 1969.

Construction industry wages rose much faster than in industry as a whole—in some cases drawing off workers from export industries. Overall costs held stable thanks

to a worldwide slump in demand

for building materials, but

construction material prices were

showing signs of picking up at the end of the year.

The danger posed by over-expansion of the construction industry is that it could cause an overspill of inflationary pressures into the rest of Hong Kong's economy, which would not be automatically choked off, as in the past, by adjustments in the foreign exchange position.

If this were to happen Hong Kong might find itself heading for something vaguely resembling the experience of Britain in the 1960s and early 1970s. In other words the economy might continue to grow at a moderate rate while exports slackened off and the balance of payments slipped into deficit.

The cure for such a situation,

in Hong Kong's case as in that

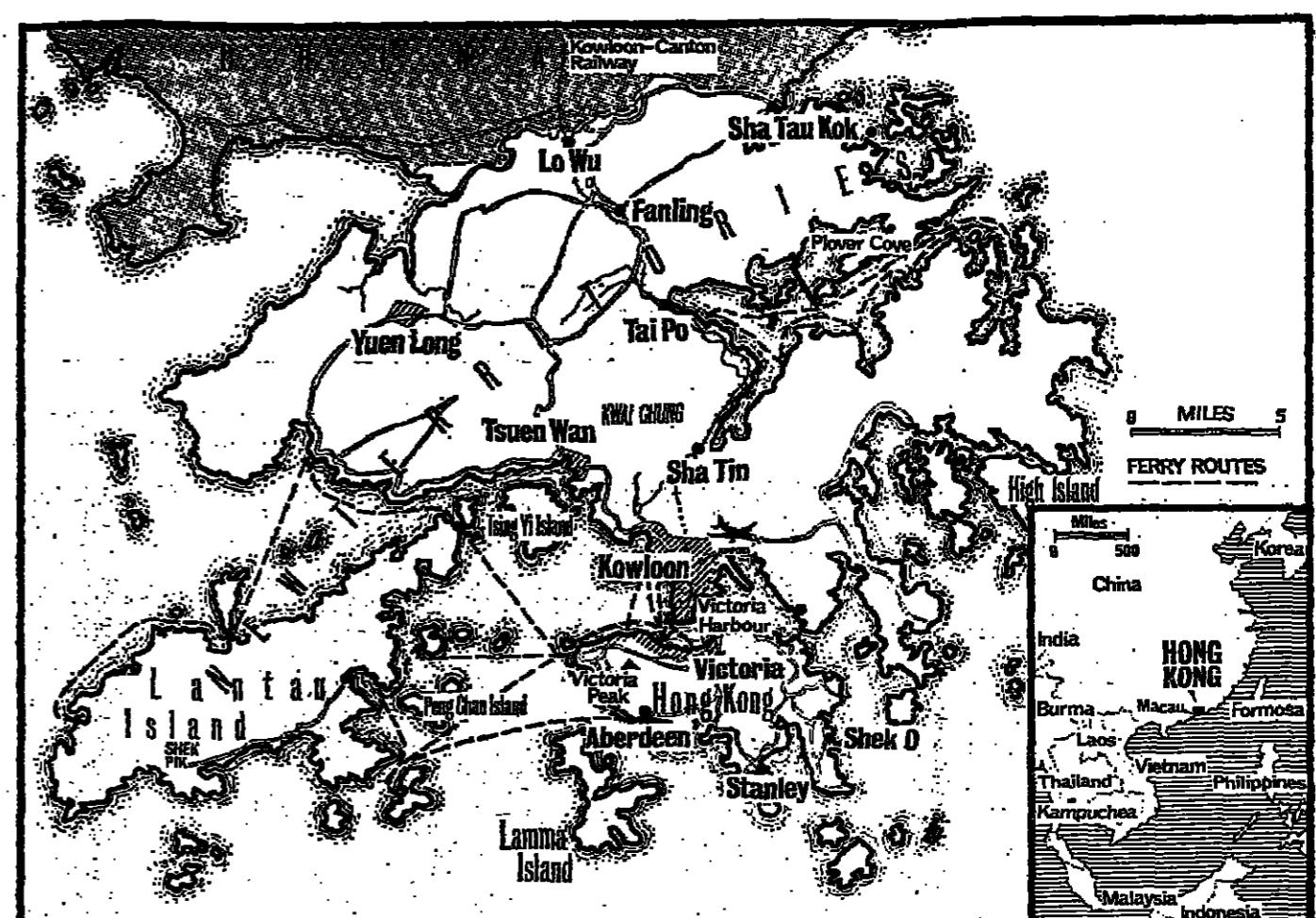
of the U.K., would be for

exporters to produce and sell

more than ever. But it is at this point that another awkward

problem has to be considered.

Hong Kong's textile and garment industries, which account



for half of its export earnings, part of the decade. It follows that other export industries are being gradually hamstrung that export quotas or voluntary restraint agreements imposed is to maintain anything like its old pace of expansion.

A committee of industrial

diversification was, in fact, convened in Hong Kong last year under the chairmanship of the financial secretary Mr. Philip Haddon-Cave. Its report, which

and have so far managed to cope by moving up market—

that is, by earning more money from the export of a given volume of goods. The garment industry, which has now replaced textiles as the Colony's main foreign exchange earner, originally came into

existence as a way round the barriers being imposed by

western importers of cloths and fabrics. Hong Kong's move into fashion goods represents a

further stage in the same process.

and most people in the industry seem to feel that

"there is still plenty for us to do in textiles."

The contents of the committee's report, if advance indications are anything to go by, is

unlikely to be very substantial.

It probably will not come up with any radically new proposals to lower land costs in Hong Kong (one of the major deterrents to investment in heavy industry in the Colony), because

to do so would involve the Government in "tampering" with market mechanisms in ways that would be officially disapproved of. Still less likely

is the adoption of Japanese-style policies of fostering

chosen industries with subsidies

and protective barriers.

If the Government remains true to its non-interventionist principles it will be up to Hong Kong businessmen to make the necessary moves towards diversification without any official nudging. Fortunately the local business community seems eminently capable of doing this. Capital in Hong Kong has been

freely shifted about in the past two decades or so between textiles, plastic, electronics, property development and a variety of other sectors. Within

individual sectors there are signs that industries are becoming vertically integrated (for example, electronics assemblers

are moving into component manufacture) as well as technologically orientated.

Another encouraging pointer to the future is the rapid growth and diversification of the international financial services offered by banks and trading companies based in the Colony.

Given the traditional resilience of Hong Kong, it would be rash to conclude that the Colony's balmy days are over and that a period of anything like austerity lies ahead. The economy will probably react positively to the problems now facing it and will emerge more diversified and sophisticated (and thus less vulnerable to protectionist pressures from overseas markets). All this, however, may be combined with a slowing down of the 7 per cent capital growth rate maintained (on average) since the early 1960s.

Charles Smith

Diversification

This does not alter the fact

that future gains are going to be

harder to achieve or that the

overall growth in textile earnings

may be slower from now on—perhaps half as fast in the

next five years as in the earlier

years.

Attractive

Unlike Singapore Hong Kong

has not tried to plan its way to

becoming an international financial centre. It has, however, provided good communications, an

attractive tax structure (shortly

to be modified in ways that may

be rather less favourable to off-

THREE PERCENT INFLATION IS NOT HOT AIR, IT'S HONG KONG.

Hong Kong's inflation rate is without doubt one of the lowest in the world. Considering that the major proportion of what Hong Kong consumes in the way of raw materials, machinery, food and general consumer products is imported, three percent is almost impossible to believe.

Hong Kong's policy of 'free trade' ensures a competitive spirit—if you can't compete with imported products you can't compete in overseas markets—and the Hong Kong Government's policy of 'non-interference' in business, trade and finance has attracted overseas investment in manufacturing industries to the tune of £222 million up to February 1978.

For the businessman Hong Kong offers many advantages—low taxation, financial freedom, a well-trained adaptable workforce and new industrial estates and townships—an infrastructure that will cater for Hong Kong's growth well into the 21st Century.

Hong Kong's total trade with the world in 1977 stood at £10,462 million, and with exports showing an increase of 7% over the previous year, the future looks bright.

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HONG KONG probably has less reason to day to worry about China's attitude to its continuing existence than at any time since the Communists came to power on the mainland in 1949. On the other hand, there seem to be some grounds for worry about the effects on business psychology in the Colony of the problems associated with Britain's lease on the New Territories and its expiry in 1997. This is the paradox which confronts any discussion about Hong Kong's future from the early 1980s onwards.

Chinese goodwill is without doubt a fair more important factor in the Hong Kong equation than the basically legal problem of what to do about the New Territories. The latter is an issue which strictly speaking concerns only the British authorities in Hong Kong and the tenants of Crown land in the New Territories whose leases carry an expiry date of June 27, 1997 (three days before the New Territories theoretically revert to China with the expiry of the original 99-year agreement signed between Britain and the Imperial Chinese Government in 1888).

Britain's dilemma over the lease agreement is that it cannot negotiate an extension with China because the present Chinese Government does not recognise the agreement's existence. Equally it cannot simply allow existing leases to run on until they expire without any clarification of the post-1997 position.

"Clarification" in some form or other is expected to be made within the next two to three years (or the next five at the outside). Until it comes there will be lingering worries about the possible threat to business confidence posed by (admittedly ill-informed) speculation that Hong Kong's days may be numbered.

China's position with regard to the lease problem can be best

understood in the context of its made to yield valuable tonnes overall attitude to Hong Kong, for the Chinese economy. These heavy industrial oils but will done. Last year, the Hong Kong Civil Aviation Authority accepted a Chinese request to expand the operation of four charter flights into the Colony. The purpose of the flights is to bring fresh crab to the Hong Kong market. The flights are also thought to be aimed at realising a significant increase in the Hong Kong oil market.

In addition to the Tsing Yi oil depot China has acquired land in the New Territories to build a machine tool manufacturing plant and ship repair yard (the latter, on the south coast of Tsing Yi Island, is already equipped with a floating dock). In committing itself to these projects China has bought land (or rather Crown leases on land) in the New Territories on what appear to have been exactly the same terms as other investors. Its oil storage depots are under the management of China Resource, a Hong Kong-based company which is actually under the authority of the Peking Foreign Ministry.

China's routine relations with the Hong Kong Government have shown a slightly bizarre medium of in establishing subcontracting relationships with factories in Hong Kong office—the reason for on the mainland and a number that Britain has turned down requests to approach Hong Kong textile or electronics companies. The idea would seem to be that Chinese factories should assemble or make up goods from designs and components supplied by Hong Kong and then ship the finished products back to be marketed as Hong Kong products.

With the exception of the New Territories lease issue Hong Kong China has shown a smoothy as at any time in the foreign exchange and know-how appear to be working and for Hong Kong to escape smoothly as at any time in the Colony's post-war history. Or could go further and speculate that if Britain were to decide that it wished to pull out Hong Kong and hand the territory back to China, Portugal attempted to do it with a polite Peking "No."

Hand-in-hand with its increasing stake in the Hong Kong economy China seems to be working towards an improvement

Britain's relationship with Hong Kong is somewhat ambiguous at present. On one hand, there are ideological differences between the Whitehall Government and the "laissez faire" attitude of the Colony as an entrepot. On the other hand, Hong Kong is still a valuable market for British goods.

Britain

HONG KONG's survival depends on three conditions—the willingness of China to allow it to remain a separate entity, the maintenance of a flourishing economy (without which China would presumably have no interest in maintaining the status quo) and the willingness of Britain to continue acting the outdated role of "colonial authority." Of these three conditions the first two seem to be thoroughly operative today—despite a few doubts about the future of the economy.

The third condition—relations with Britain—is more problematic for two reasons.

One is that very little is publicly revealed about British official thinking on Hong Kong tary questions (which usually require an answer within 24 hours) may sometimes be un-necessarily detailed and is not committed to the territory). The second is that the little that can be passed directly to the Minister who has to take the existence of serious tensions between the Hong Kong Government (headed by 450 overworked expatriate British civil servants) and the department of Whitehall responsible for dealing with the Colony.

Hong Kong officials occasionally speak of the "hostility" of British officialdom to the policies pursued in the Colony (especially economic policies which are clearly regarded in some parts of Whitehall as being "old fashioned" or "laissez faire"). The British Government also gets accused in Hong Kong (not only by long-term expatriate officials but also by Foreign Office officials on temporary postings) of failing to grasp Hong Kong problems properly.

The actual situation appears to be that Britain does from time to time try to influence Hong Kong policies, and occasionally succeeds. Pressure on the Hong Kong Government to change its policies in line with British guidelines can be exerted through the Governor who is technically answerable to the Queen and thus acts as a "hinge" between the Hong Kong and British Governments.

The reactions of the Governor to pressure applied on him from Britain are likely to depend in part on his own past career (that is, whether he is a diplomat, a politician or a Hong Kong Government official by background). The present Governor, Sir Murray Macleod, whose term of office has been generally considered highly successful, happens to be the first former diplomat to have held the position.

Sir Murray has been personally identified with a series of welfare and development projects undertaken in Hong Kong over the past few years which almost certainly would not have been initiated by a Governor

Routine business relating to Hong Kong is handled by what insiders call the "third room" of this department—in effect a Hong Kong news desk staffed by three junior diplomats whose career had been spent entirely in the Colony.

His efforts have received a generally good Press but have

information, despatched ton always been well received by Hong Kong Government officials, some of whom criticise the Governor for being torn between his obligations to Hong Kong and his Foreign Office loyalty.

A final detail of the official relationship with Britain which ranks in Hong Kong is that the Colony no longer has a department to "speak for" it in Whitehall. This function was felt to be performed by the old Colonial Office which saw itself as representing the interests of colonies vis-à-vis other government departments.

The Foreign Office, by contrast, is seen as "trying to face in both directions" (that is, not knowing whether its job is to stick

up for Hong Kong or to pass

on orders to Hong Kong from other parts of the Government.

Official frictions between Britain and Hong Kong have to be seen against the broader background of public opinion and economic relations. As far as the former are concerned, it seems that Hong Kong spends a great deal of time worrying about Britain's reactions to its behaviour (especially the criticisms of backbench Labour MPs which invariably make headlines in the Hong Kong Press).

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The business and economic relationship exists on another, perhaps more rational, plane.

Hong Kong and the U.K. have been involved in hard bargaining during the past few years

over such matters as the proportion of Hong Kong reserves

to be held in London (now reduced to zero) and Britain's obligation to contribute to Hong

Kong defence costs (undergoing a progressive reduction under a seven year agreement signed in December 1975).

Bargaining on issues such as

these appears to have left no

hard feelings on either side but

the same cannot be said for

Britain's role in the negotiations last autumn between Hong Kong and the EEC over textile issues. While British officials claimed that the U.K. sought to mitigate the EEC's negotiating style, Hong Kong officials came away with the impression that Britain's position at the talks was one of the toughest among the nine EEC member countries.

Britain's visible trade with Hong Kong has been in deficit for the past five years—a figure which might be expected to increase as U.K. disillusionment with the Colony's post-war history. Or

could go further and speculate that if Britain were to decide that it wished to pull out Hong Kong and hand the territory back to China, Portugal attempted to do it with a polite Peking "No."

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HONG KONG VI



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SWIRE PROPERTIES LIMITED
RESULTS FOR 1977

Gross assets	HK\$1,423.85 million
Shareholders funds	HK\$992.44 million
Profit attributable to Shareholders	HK\$99.61 million
Earnings per share	30.8 cents
Dividends per share	18.5 cents

HONG KONG

- Taifoo Shing:** Over 4,000 apartments in 20 towers now sold.
- Industrial Properties:** Construction commenced on a 650,000 sq.ft. godown/industrial development at Taifoo Trading Estate.
- Commercial Properties:** Sutherland House in Central District acquired and Austin Centre in Tsim Sha Tsui completed — all fully let.
- Residential Properties:** Acquisition of Consolidated Properties and Stores Ltd. completed March 1978.
- Gammon Building Construction Ltd.** formed with Gammon (H.K.) Ltd. 1st April 1978.

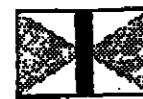
U.S.A.

- Mainland:** Swire Properties Inc. became a wholly-owned subsidiary on 1st January 1978.
- Hawaii:** 55 town houses under construction.

FUTURE PROSPECTS

The demand for the Company's properties both for sale and leasing remains strong, and while future prospects must be contingent upon external factors the Company's Directors expect that profits for 1978 will show a steady increase over those of 1977.

J.H. Bremridge
Chairman



Swire Properties Limited
The Swire Group
Swire House, Hong Kong.

The reputation of Hong Kong's stock exchanges is not high. The standards of business practice and financial integrity have not improved much during the recent past, and the Government is now introducing legislation to tighten the takeover code and has set up a tribunal to investigate insider share dealing.

The stock market

HONG KONG's aim of becoming the financial centre of the East is not helped by the reputation of its stock exchanges. Notorious for their lax standards, insider trading and volatility, the four Hong Kong stock exchanges are sometimes an embarrassment to those business leaders concerned with financial integrity and ethical practices.

Admittedly, stock market behaviour has improved since the 1973 boom when companies which never even existed in reality were listed on the exchanges to raise capital—and were never checked or investigated by any authority. It is also true that the volatility of those boom-and-bust days is now a thing of the past and that in 1977 Hong Kong markets were among the most stable—or stagnant—in the world. But the memories and reputation live on, and cases persist of insider trading—where people inside business use privileged information to their advantage by buying or selling shares ahead of a public announcement.

At last the Government has decided it must act to put the four stock exchanges in order.

Years of exhortation have done little to improve standards, and so even an administration dedicated to the creed of free enterprise has seen the need to intervene for the sake of the rest of the financial community, which is beginning to suffer for the stock market's poor reputation.

The Government is introducing legislation for a tighter takeover code and, more important, a tribunal to investigate insider share dealing. Whether these measures will be enough to maintain internationally recognised standards of business practice is doubtful, largely because the tribunal does not have the power of the courts to punish offenders under the criminal law. The tribunal will merely investigate malpractices, usually in private, and then make its findings public.

The chances are small that unscrupulous shareholders will resist the temptation to make a

kill by using inside information, because of the possible exposure to public censure. The Government hopes this threat will put some of the laws in Hong Kong's stock markets when he public exposure and censuring of professional organisations and fellow businessmen will, after a result of the generally easy requirements are essential. As the wayward and the wicked, but it appears to be a long, standard for listing shares on the exchanges, along with the

bank, clutching so often the exchange a callibre team will be able to investigate more effectively the background of any new listing and regulate professional conduct, while the Comissioner for Securities will be able to enforce legislation easily.

The broader and less erratic market with greater depth which would result from a relaxation will save institutional investors, in particular a lot of time and effort. The days of wild price movements four exchanges will be over, overseas investors will feel apprehensive about entering this foreign market.

Health

These developments are in the long term, but in the short run the health and activity of the local market will be determined more by the world economy, and how that affects Hong Kong, rather than by its own pace which may be finalised in the next decade.

After fluctuating narrowly and quietly throughout 1977 because of the death of a company, the rival

bullish gold market and the uncertainty over Hong Kong trading position in the wake of protectionist policies and demand depressing

dominant textile industry, the market has entered the Chinese Year of the Horse in this form. It has already soared last year's highest level, at an initial fall prompted by local and overseas selling of and after the abolition of British 25 per cent surcharge.

With a recent spate of better company results and more optimism for the future than existed for a long time, the market looks set for a healthy period than it enjoyed in the preceding Year of the Snake.

By a Correspondent

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Via Espaia 200, Apartado 6307,

Panama 5

Nugan Hand International
Private Bankers

visionary income, the first around 1978, impressive financial as well as possible source to Hong Kong's paired in financial decisions of bank's tax

The 12-year moratorium on foreign banks opening new branches in Hong Kong has been abandoned. But this has come at the same time as a more stringent tax regime on offshore banking.

Banking

FOREIGN BANKS can look forward to a more rational banking environment here in Hong Kong, although they must also be prepared to meet more stringent liquidity and possibly capital adequacy, as well as a more liberal tax regime.

Some of the uncertainty and alarm created within the international banking community by other ambiguous official statements on taxing banks' offshore earnings is now being dispelled. The picture is somewhat clearer, too, on banks' operating ground rules.

What has emerged in the period since Hong Kong's Financial Secretary, Philip Haddon-Cave, announced a more stringent tax regime on offshore banking in his March Budget, and since the subsequent announcement of a more liberal policy towards foreign bank branch openings, is:

Offshore loans which are truly "garaged" in Hong Kong, in the sense of being tax-free only, will not be subject to the proposed new tax on net interest received.

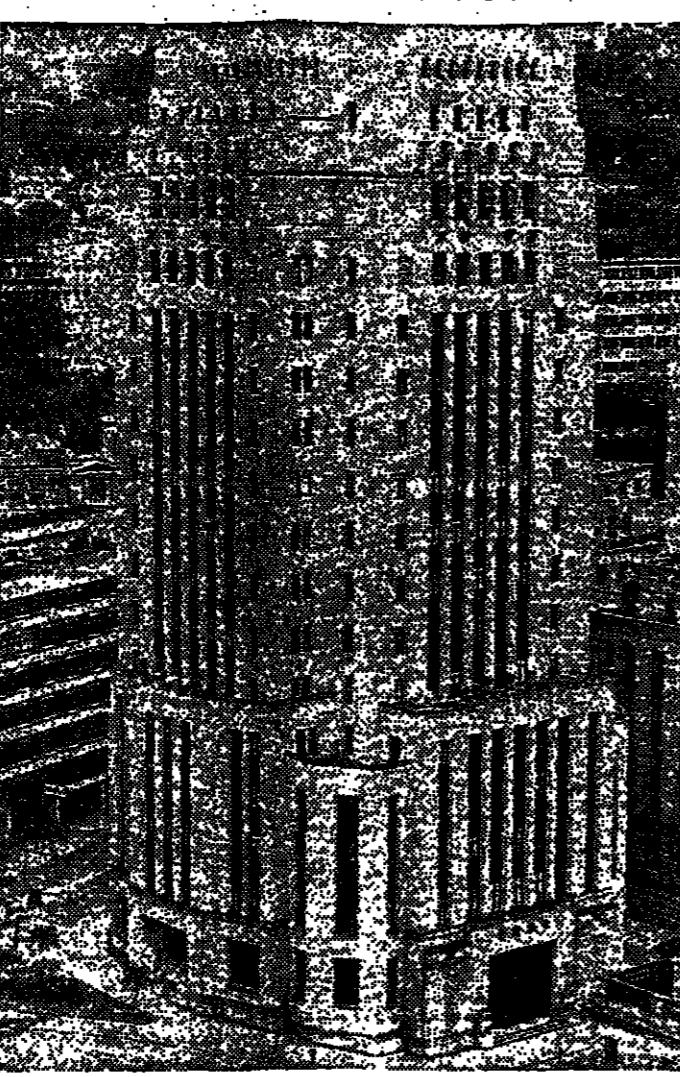
Other offshore loans, where a Hong Kong bank or deposit-taking company has played its part, will be taxed either at a full 17 per cent or a low rate where profits are apportioned between Hong Kong and other centres.

To view this, Hong Kong's new state law will overturn an existing law which applies the "division of credit test" to decide where offshore earnings are taxable.

Hong Kong's decision to abandon the 12-year moratorium on foreign banks opening new branches in the Colony as been dictated partly by a desire to come into line with banking vice elsewhere on international banking supervision, as well as desire to aid domestic "smalls."

Not all foreign quasi-banks are likely to become full branches, although those that do not will face reporting and liquidity requirements similar to those imposed only on full banks at present.

These liquidity requirements themselves are likely to be



The Bank of China's building in Hong Kong.

In future, "when a bank or other financial institution obtains funds, whether locally or abroad, through its operations in Hong Kong, and places the funds abroad to earn interest, the profits from such interest will be taxed irrespective of the provision of credit test."

This sounds unequivocal enough although some observers feel that the words "through its operations in Hong Kong" are open to interpretation, and possibly to manipulation. Haddon-Cave himself admitted that the "totality" of the circumstances relating to where and how the deposits are garnered and the funds on-lent "would need to be examined on a case-by-case basis."

If it could be shown that the profits from interest arose partly from the business in Hong Kong and partly from the substantial intervention of an overseas branch, as would happen with some large foreign-currency loans, then a "reasonable apportionment of the profits will have to be made." Where profits were found to be wholly attributable to an overseas branch, no tax would be charged.

Hong Kong's Inland Revenue Department claims to have established procedures for determining who did what, and where, in respect of offshore loans. U.K. tax authorities impute part of the profits from international loans to London where Eurodollar funding is made—and there is review machinery in the Department in Hong Kong to deal with individual objections, which can later be appealed in the courts.

First, however, Mr. Haddon-Cave has to get his new law through the Legislative Council here. The second reading debate was adjourned until May 10 to enable the Council's unofficial (advisory) members to consider the bill in detail. Although non-controversial legislation would normally expect to get through its committee and third reading stages "on the nod," there has already been a good deal of lobbying against this bill by bankers, and Haddon-Cave himself admits he is facing a considerable groundswell of opposition.

Reluctant

Even so, the Financial Secretary will obviously be reluctant to compromise the principle of the Bill. He has made it clear that interest is chargeable to tax where the source of it is Hong Kong, it lays no tax for determining position (taxwise) vis-a-vis other sources of interest. However, the new law in Australia, Africa and elsewhere has shown that the test should place where a credit is available to the borrower. Now, Hong Kong has followed this precept.

According to Haddon-Cave, the "division of credit test" has become increasingly artificial as Hong Kong's position is as impressed by arguments that prescribed liquidity in future rest. "It is possible to Hong Kong's position as a although the liquidity ratio will virtually all aspects of financial centre will be different from that of the operations in Hong Kong paired in the long run" by the banks, given that deposits and yet provided credit decision to bring at least part with bona-fide finance companies are generally of longer maturity, and they might find it

made available outside of bank's offshore earnings into the tax net.

"Tax advantages are not the strain to hold too much of

their total assets in the form of low-earning liquid assets. At the same time, the suitability of the liquidity requirements in the Banking Ordinance will be looked at to try and determine acceptable common forms of liquidity for both types of institution. The finance companies will also be required to make monthly reports to the Commissioner of Banking. This will require free legislation.

This should put both types of institution more on an equal footing, although the banks themselves, which can gear up on their fixed capital as much as they deem prudent (or dare to according to the bank concerned) may soon be limited by officially prescribed ratio in this respect, as presumably would finance companies. The Government secretary admits that "capital adequacy" is something it might have to look at.

Probably the biggest anomaly ended by the present moves is that whereby foreign banks with the word "bank" in their title have been penalised since the Government moratorium on new branch openings by foreign banks in Hong Kong was introduced in 1966, to prevent the Colony becoming over-banked and to stave off further bank failures such as that of Canton Trust in 1965 and others before it.

After that, entry incognito in the guise of a "Finance Company" and under the deposit-taking companies ordinance forbade the use of the word "bank." And foreign banks had to get round that one by incorporating local companies. Chemical Bank became Chemical Finance HK and Bankers Trust became BT Asia, Ltd., for instance. More than prestige alone was lost in areas such as foreign exchange markets, where banks rely on their name, but those stuck with the name "bank" were more galled by the fact that others lucky enough to be called simply, say, "Credit Lyonnais" or "Manufacturers Hanover" could operate through branches of their parent in Hong Kong and not as locally incorporated companies.

Lending

The distinction was more than academic because, with the assets of their parent companies available to branches they were to embark on more adventurous lending policies than locally incorporated companies with much more limited assets, and who might find guarantees from their parents hard to come by.

Everyone might recognise the name behind the finance company's alias but it was a moot point whether the parent had a legal as well as moral obligation always to bail out over-adventurous offspring. A bank which is called a bank can now register as such in Hong Kong and be at little if any disadvantage to the quasi-banks on supervision, yet still enjoy a direct deposit base, albeit limited to one branch.

This is not all selfless reform on Hong Kong's part. An informal committee under the auspices of the Bank for International Settlements, and representing the Group of Ten plus Switzerland, recommended recently that the monetary authorities of a country in which a bank is incorporated should be responsible for the obligations of its branches worldwide.

By opening the door again to foreign incorporated banks, and thereby discrediting locally incorporated quasi-banks, Hong Kong is throwing the onus for supervision back onto other central monetary authorities. Thus, when Mr. Haddon-Cave said recently that potential entrants under Hong Kong's new liberal regime must be incorporated in countries where monetary authorities exercise "effective supervision" he clearly had the recommendations of the BIS committee in mind.

They were not required to maintain minimum liquidity ratios, and to detail them monthly to the authorities, as the banks are. The main justification for this, on the grounds that the finance companies were not collecting small deposits from the public (and that bigger depositors could take care of themselves), failed to take account of the fact that deposit-taking companies are often buyers of funds from the banks in the inter-bank market, and who was to say whether those funds belonged to the small or big depositors of the banks.

So, the finance companies too will have to maintain minimum liquidity ratios, and they might find it

Anthony Rowley

Kleinwort Benson in Hong Kong

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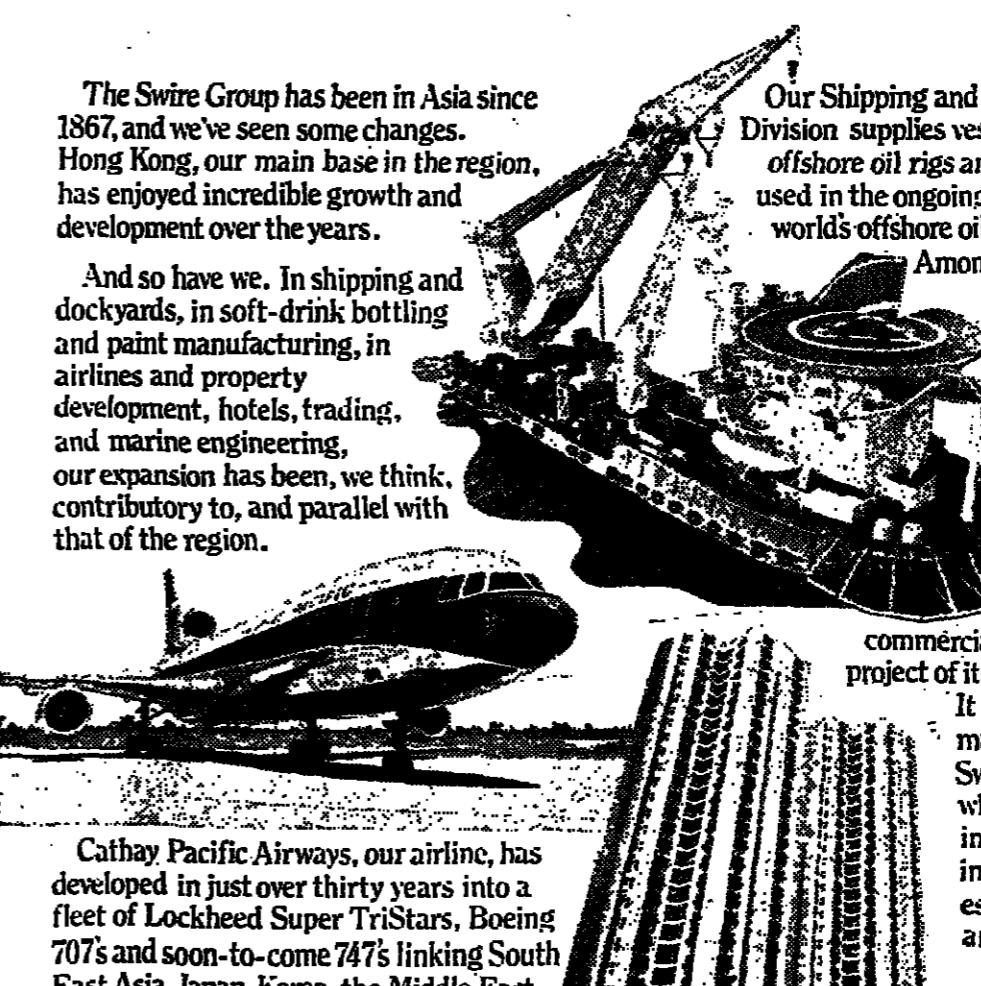
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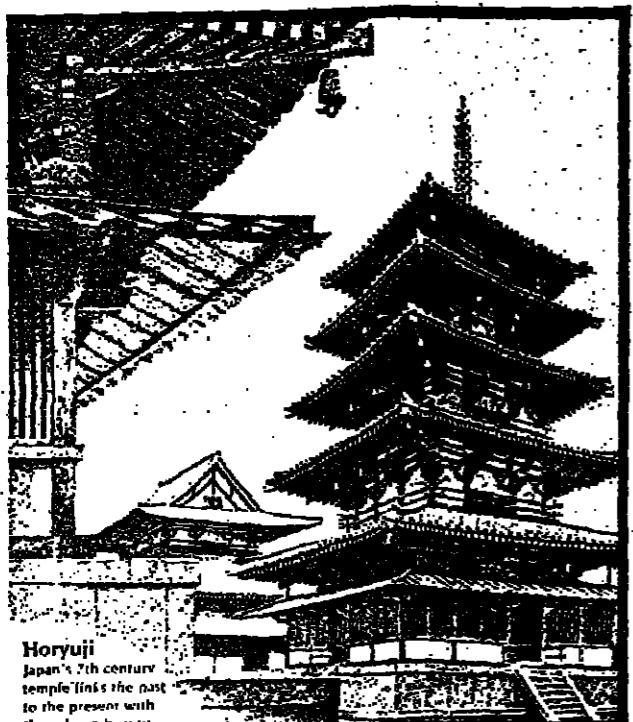
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DULL AND featureless are the two adjectives most commonly used by dealers to describe activity on the infant Hong Kong Commodity Exchange. The trading floor is a very different place from the hectic scenes in, say, the Chicago commodity market, where a strong voice, insensitive ears and the stamina of a heavyweight boxer are needed to survive the ear-piercing din and the frantic activity of even an average day. In Hong Kong the main attributes of a commodity dealer are somewhat different.

Proficiency at poker or other card games, an appetite for reading and endless patience are the main requirements for operators in Hong Kong, where the Commodity Exchange has yet to get off the ground. Except for brief spasms of activity, the market drifts along with only marginal interest. Turnover, especially in sugar but even in cotton, too, is often embarrassing low, with as few as six or seven lots traded in a day.

The cotton market's record daily turnover of 225 lots is pretty meagre fare compared with the New York market's daily average of over 3,000 contracts. Moreover, the New York contract of 100 bales of 500 lbs each is twice the size of its Hong Kong equivalent.

What is left at the end of the day for the 58 members of the exchange is a very thin amount of commission, perhaps under \$US500 if less than 25 lots are traded. "This barely covers the cost of the papers and books we buy to while away the time," one dealer said, before grinning and adding that it was good thing he was on a fixed salary. Many exchange members are not even bothering with the market at the moment. They are waiting until the gravy thickens—as it surely will, they say.

As one leading international sugar trader, who confessed to having a strong desire to see the local market succeed, said: "If Commodity markets depend you open two new markets when on speculators to come in,

the sentiment around the world is very bearish there is nothing you can do but wait for better days when the international market picks up. There just isn't a volume and demand at the moment for the world to need this market."

World cotton prices have fallen by nearly a third since the Hong Kong cotton market opened in May last year. After their steady fall to under U.S. 50 cents a pound, cotton prices did recover slightly, but still the bearish sentiment continues and that is bad for speculators, which in turn is bad for trade.

As one leading international sugar trader, who confessed to having a strong desire to see the local market succeed, said: "If Commodity markets depend you open two new markets when on speculators to come in,

create interest and give volume to the floor. But speculators like to take long positions, which give them more chance of making a killing, or at least a reasonable profit, should the dreaded boil weevil eat the U.S. cotton crop or harsh weather lash the Soviet cotton lands.

Unfortunately for the Hong Kong market it opened just when the elements and nature smiled on the U.S. which reaped its richest harvest since 1965, and on the Soviet Union, which enjoyed its largest crop ever.

These bumper harvests in the world's major cotton fields sent prices into a downward spiral from which they are only just beginning to recover.

Confidence

Despite the gloom surrounding the Commodity Exchange there is still a large amount of confidence that the decision to open futures markets in cotton and sugar will one day pay off. Officials are sure that it is only a question of time before Hong Kong establishes itself as an important international market, but they admit it will be a long haul. Chairman of the Exchange Mr. Peter Scales sees it like this. "We have created the market, a framework people can have confidence in, they will use it. It's just a matter of time."

No one criticises the running of the exchange, which is carried out along the lines of markets already operating suc-

cessfully and efficiently in the vice local cotton spinners that at the Hong Kong market for U.S., Europe and Canada. The Hong Kong should be their an opening indicative of a market place. The Colony's tax then decide whether the want supervised by a subsidiary of a the mills, which are potentially to do any business in Far the London Commodity Ex. regional users, have shown a oriental day. Overseas interest change's soft commodities, the market lack of interest in the in the market, come from contract guarantee is provided local exchange. Generally they Japan, which is a major world by a consortium of banks, are wary about hedging, as raw material import, par-

cluding the great Hong Kong, they prefer to pay the ruling figure of sugar, well as traditional and Shanghai Bank, and the market price and accept the from the more commodity trading Commission for Commodity risk involved. Even those centres of commodity trading law which include the compulsory registration of all dealers.

The market received a very

new York market which they welcome and much-needed boost

house, Merrill Lynch, decided to

become a member of the Hong

Exchange. A month later

the Philippines, a major

the world sugar pro-

ducer, announced it will trade

on the Hong Kong

There are plans to expand

the activities of the Exchange

to include hard as well as soft

commodities. Silver and copper

are the two metals most popular

as the first hard commodity

proposed. But there are many

problems associated with such

development, not least the

lack of demand for commodity

traded in Hong Kong. There

is also a nissle with the Chinese

Gold and Silver Exchange

Society which intends to reop-

er silver trading for the first

time since World War II. The

newly established

Commodity Exchange

will have to be content to

trawl first, before it attempts

to open its doors.

By a Correspondent

Volatile

When activity does pick up in the world market, Hong Kong is well placed to take advantage of the volatility. Unlike New York, which closes trading for the day once the price has moved up or down U.S. 2 cents a pound, the Hong Kong Exchange regulations require only a 30-minute "cooling off" period, which can be repeated continuously until the end of the natural trading day. When turnover improves Hong Kong will provide operators with good chances for arbitrage against other markets whenever local prices move out of line with those overseas.

The trading day in the Hong Kong Exchange is designed so that it partly overlaps with business hours in Europe. Liverpool cotton merchants and Parisian sugar dealers can

first exchange must con-

The Hong Kong gold market

is the very opposite of the commodities market. Highly active as well as internationally significant, it has given the world round the clock trading.

Gold

THE WORLD now has a 24-hour gold market thanks to the role played by Hong Kong. North Americans can sit at their telex machines after the New York and Chicago markets have closed for the day and continue dealing in the precious metal long into their night by trading directly with Hong Kong bullion dealers.

Later in the oriental day, European dealers from Zurich to London hurry to their offices before most of their countrymen have even breakfasted to pick up the first gold price quotation of the day from a quick call to Hong Kong, six or seven hours ahead and 8,000 miles to the east.

The importance of Hong Kong in the international 24-hour gold trading system was underlined recently during Chinese New Year, which closed the local market and so deprived Europe of its opening rates. London's opening price around 7.30 a.m. is based on the prevailing Hong Kong afternoon rate, and with Hong Kong closed London was unable to set its first price for over an hour. Most European gold dealers are sure that a very active day, such as earlier this month when European start around 7 a.m. by computer buyers reacted in large to the advantage of Hong Kong's location. The latest movements into line with would not hold any special gold sale to aid the ailing dollar.

No official figures of gold turnover are published in Hong Kong, but dealers are sure that the international market, comprising major bullion houses which connect Hong Kong with the main gold centres of the world. Each year new members join the expatriate community of Hong Kong and bring numbers to news that the U.S. operators in Hong Kong that their judgement with solid gold was right.

Hong Kong turns over some gold pool, Johnson Mathews, managing director of the local market, is used to dealing from the Colony's tax, which is more active than the international one, with local dealers doing business for ever.

Such impressive turnover figures put the four local stock exchanges to shame. Collectively they often muster only as little as \$US3.3m. of business (taidis) to multi-million (tycoons). Long-term investors do exist, but in periods of rapid price change, it is the speculators who come into play. As one dealer said, "It's extended its

market to give it the advantage of being able to buy and sell in the same day." This market is about the same size as the legalised form of gambling in Hong Kong that the all-powerful Jockey Club hasn't got its hands on.

The force of the local market is felt increasingly worldwide. The sentiment of local traders often makes their European counterparts look up and take notice. A recent surge in the price of gold, which took it through the \$1,000 an ounce barrier, was largely fuelled by Hong Kong dealers who were very bullish. Can then entered the local market and demand took over the initiative, which ended with the record \$1,200. But the price came down again, and the operators in Hong Kong are now

regulating the market. The five members of the London

By a Correspondent

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مکانات امدادی

HONG KONG IX

JP/11/1978

Last year's decline in Hong Kong textile production was partly caused by pressure from outside. Now that the industry is being forced to curtail its significant exports of cloth, it is having to look more to finished products.

Textiles

PROSPERITY MAKES some friends and many enemies, said Le de Clapier Vanvergues, the French moralist. Although this remains true from the 18th century, it is well known in Hong Kong's textile industry. For nearly three decades since its inception in 1949 the Hong Kong textile industry has maintained rapid growth. It has been so successful that its annual growth was not regarded as news. But in 1972 its performance suffered a severe setback. That was news.

Hong Kong's domestic textile exports in 1977 totalled \$HK1.5bn, up 4.5 per cent. Textile imports also fell by 1 per cent from \$HK1.2bn in 1976 to \$HK1.1bn. However, re-exports rose by 13.8 per cent from \$HK1.5bn to \$HK1.7bn. Both ways, Hong Kong's textile trade in 1977 fell by 2.3 per cent, but overall its two-way trade in 1977 increased by 10 per cent and total domestic exports amounted to \$HK3.6bn, up 7.3 per cent.

Hong Kong is notorious for its cheap labour — an image the Colony's Government is trying desperately to overcome through legislation. And although it has been hard going in certain areas, it is achieving some success.

Labour

A CHINESE member of the Hong Kong Legislative Council recently expressed concern that free secondary education were to be extended to all pupils in the fourth and fifth forms, more young people than ever would attain full-time education rather than enter employment. Mr. Francis Tien said, was a dangerous situation which would be to the detriment of industry.

If somewhat crudely phrased, this anxiety is merely an ingenious reflection of official thinking. As things stand, the Government intends to provide free higher secondary education to only 50 per cent of the student population. In Hong Kong terms this is considered "realistic" because the financial demands of large families and the higher age groups of the pupils often combine to necessitate entering the job market without completing secondary school.

Although legislation has been introduced which will eventually wipe out the "sweatshops," these still exist in manufacturing industries. The Labour Department claims, however, that child labour is no longer used to keep them going. Last year about 400 factory owners were convicted for using child labour. Even this was an improvement, according to the Labour Department, because there were few repeat offenders. Fines totalling \$HK500,000 were imposed. Meanwhile, the maximum penalty for employment of children was raised from \$HK5,000 to \$HK10,000, which is "proving a major deterrent" according to the Governor.

In 1971 only 6.9 per cent (36,000) of the population aged 10-14 years were "economically active." With free compulsory primary education introduced that year — to be extended for all up to the age of 14 in 1979 — the Government is confident that young children are no longer to be a source of cheap and exploited labour.

By the provision of free senior secondary education, together with the recruitment of more Labour Department inspectors to check if safety and other labour laws are being observed by factories, and the issue of the juvenile identity cards with pictures which make it nearly impossible to lie about going to get jobs, the Government hopes that Hong Kong will lose its image of a Dickensian workplace.

In another move which ensures that young people who find work before completing their secondary education are not tied for ever to mindless, menial jobs, employers of young people between 14-18 are now required to provide apprenticeships and on-the-job training. Employers must also send them to technical institutes on day-release courses. This apprenticeship scheme, introduced in 1975, is also part of Hong Kong industry's move towards quality

products. The total number in full-time and part-time training at the four technical institutes by August 1978 is expected to be seven days and increased severally, one rest day in every four. The 1975 figure, when there was only one technical institute, was around 30,000 — about three times the 1975 figure, when there was only one technical institute. Although diversification of industry away from textile and garment manufacturing has top priority in Hong Kong, it is hampered by a lack of skilled workers at the craft and technician level. The apprenticeship scheme is designed to take care of craft training, while the middle echelon of industry can now look to an expanded polytechnic to turn out technicians. By 1980 its student population will be around 28,000.

Scandals

After the corruption scandals in the Royal Hong Kong Police Force, the colony's other notorious reputation lies in its cheap labour. The recently retired Labour Commissioner, Peter Williams, said in December that Hong Kong had to be seen to be making social progress. "If we don't, we come under attack from our opponents overseas," he said. British trades unions, in support of protectionist policies, have often blamed Hong Kong's cheap labour (average factory wage in HK\$760 a month) for the comparatively low cost of the colony's exports.

Recently Hong Kong's labour policy was attacked by the London-based Hong Kong Research Project in a pamphlet called Industrial Safety in Hong Kong. The pamphlet went at length to describe working conditions which would be intolerable in Britain. It has been written with the aid of a grant from the World Council of Churches' programme to combat racism, and the introduction, the project's secretary, Walter Easay, does accuse Britain of practising racism with regard to Hong Kong.

This stung badly and at a hastily-called Press conference, Denis Easay, the Hong Kong Commissioner in London, said that much of the information was out-of-date (which was true to some extent) and that to blame racism for all the industrial ills in Hong Kong was fatuous and not helping towards a solution. The report hurt the Labour Department, which finds itself under the international spotlight all too frequently, because it had recently provided a "new deal" for workers with tighter safety regulations and improved working conditions.

The wage ceiling for workers' compensation for non-manual workers has been raised to \$HK5,000, which covers 98.9 per cent of the labour force of nearly 2m. Sweatshops will now find it harder to exist on the minimum staff-maximum output principle because the employment ordi-

nance has been amended, giving all workers a minimum of seven days annual vacation leave, one rest day in every four, technical institutes by seven days and increased severance pay and sickness allowance. The new deal has been won after much opposition from employers, which is why the Labour Commissioner sometimes takes on the role of trade union leader in Hong Kong.

However, this new deal is still very much on paper only. Some 37,000 workers were injured and 136 killed in industrial accidents last year — an increase of nearly 5,000 over 1976. Fines for safety violations can be as high as HK\$10,000 but average around HK\$7,800.

Moreover, the Christian Industrial Committee (CIC) of Hong Kong, which has set out to educate workers on their rights, estimates that some 14 per cent of the labour force does not get any holiday pay. Workers generally are also not aware of their rights to severance pay and workers' compensation, and there is no legal protection for men as far as maximum working hours are concerned. In the smaller concerns, workers are morally compelled to do overtime. Nearly 40 per cent of the labour force works between 50 and 60 or more hours a week.

The other major furore over Hong Kong labour concerned an interim report which said that a minimum wage structure should be introduced if the colony was to avoid discontent growing among the younger and better educated workers. The only group which seemed in favour of a minimum wage was that led by Professor H. A. Turner who had been asked by the British Government to report on labour relations in Hong Kong.

Almost everyone interviewed in the Hong Kong Press — industrialists and workers — gave a myriad reasons why such legislation could not work in the Colony. "Another attempt to inject British practices in Hong Kong," said one so-called union leader. Generally it was felt that because unemployment was insignificant (4 per cent, or 80,000 workers), a minimum wage would only work against the employee, restricting his bargaining power in a flexible supply and demand situation.

In Hong Kong it is not the under-paid, and over-worked masses who will form the vanguard for a fight for more economic justice. It is among the white-collar workers, particularly in the civil service, that the demand for better promotion prospects and salaries and conditions equal to those of expatriates is finding articulate expression. Unfortunately, localisation of the civil service in Hong Kong would constitute social progress for people who are already better paid and better housed.

Mary Lee

This performance stood in sharp contrast with that of Hong Kong's man-made textiles re-imported from Taiwan and South Korea. In 1977 fell by 30 per cent. The growth of Hong Kong's man-made production has thus been stalled.

The real threat to the survival of Hong Kong's textile industry came in 1977 when the EEC threatened Hong Kong with global quota control if it rejected the EEC's proposals. The EEC, a powerful entity, defeated all the "dominant" exporting countries in the textile negotiations without having to fight. The global quota imposed by Canada and the tariff quotas in Australia have badly affected Hong Kong's textile exports to those countries. The uncertainty between Hong Kong and U.S. to swallow this pill, the reduction of trade opportunities, for the moment, but hopes that the effects of protectionism thus abolished at the end of the Agreement.

Following this example, the Nordic countries threatened to go further, Norway having proposed a cutback of 70 per cent on some important items. In

October 1976 Canada introduced a global quota and its main small compared with those imports of textiles from Hong Kong in 1977 fell by 30 per cent. In consequence, Canada now proposes to return to bilateral arrangements with Hong Kong and other Asian exporting countries.

Recession

The 1977 decline was attributed to marketing conditions in Europe, which had not fully recovered from the recession. The global quota imposed by Canada and the tariff quotas in Australia have badly affected Hong Kong's textile exports to those countries. The uncertainty between Hong Kong and U.S. to swallow this pill, the reduction of trade opportunities, for the moment, but hopes that the effects of protectionism thus abolished at the end of the Agreement.

The EEC's protectionist approach may have been viewed as a victory, but its image as a fair trader has been much impaired. For instance, publication put out by the students of the Institute of Textiles and Clothing of the Hong Kong Polytechnic carried a cartoon in which Hong Kong's textile industry was depicted as a plant, and the EEC as a devil throwing a net over it to stifle its growth. This cartoon represents the serious view of a group of young students who will be showing a long-term accumulation.

The pattern of Hong Kong's textile imports is quite different. Last year clothing only represented a little over 10 per cent of total textile imports, garment making technology having effectively reduced imports of clothing. Fabrics represented 19 per cent and, and yarn, fabrics and made-ups 71 per cent. In fact Hong Kong relies very much on imports of yarn and fabrics for its garment industry. Hong Kong's main suppliers in 1977 were over the past 20 years, hastened by order of importance were Japan, China, Taiwan and the U.K. and U.S. U.S. Japan supplied \$1.6m. restrictions. Hong Kong has diversified not only its products

worth of yarn, an 8 per cent — from simple spinning and an alarming threat from China, increase over 1976. Imports weaving into high quality finish, which is likely to emerge as cotton from China took the form of ing and fashion garments—but important producer of cotton clothing (\$HK478.8m.), up 23 its markets. Assisted by the textiles in which Hong Kong has prospered in the past. In 1976, fabrics at \$617.4m. as headway in pushing its exports downstream section developing its fashion business and trading up into class goods.

Hong Kong has been the world's No. 1 garment exporter since 1974, and its stake in this industry has become excessive.

In July, 1977 Mr. Wilhelm Haferkamp, the EEC's Minister for External Relations, recommended that Hong Kong should diversify from textiles into other industries, and subsequently Hong Kong announced the establishment of an Advisory Committee on Diversification. But so far its views are still unclear. In fact, Hong Kong has diversified its products

by

9.4 per cent.

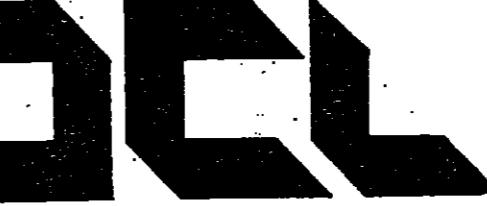
Bobbins at Hong Kong Spinners.

Diversify

The textile industry is now considering how to diversify its sources of materials. Mr. Y. C. Chen, chairman of the Hong Kong Cotton Spinners' Association, has accused Pakistan and South Korea of dumping about 30,000 bales a month of cotton yarn in Hong Kong, whose cotton spinners simply cannot compete with goods that cost \$HK100-250 less per bale than they can sell at themselves.

Abroad the industry also faces serious competition from Taiwan and South Korea, plus

Kayser Sung
Editor in chief
Textile Asia



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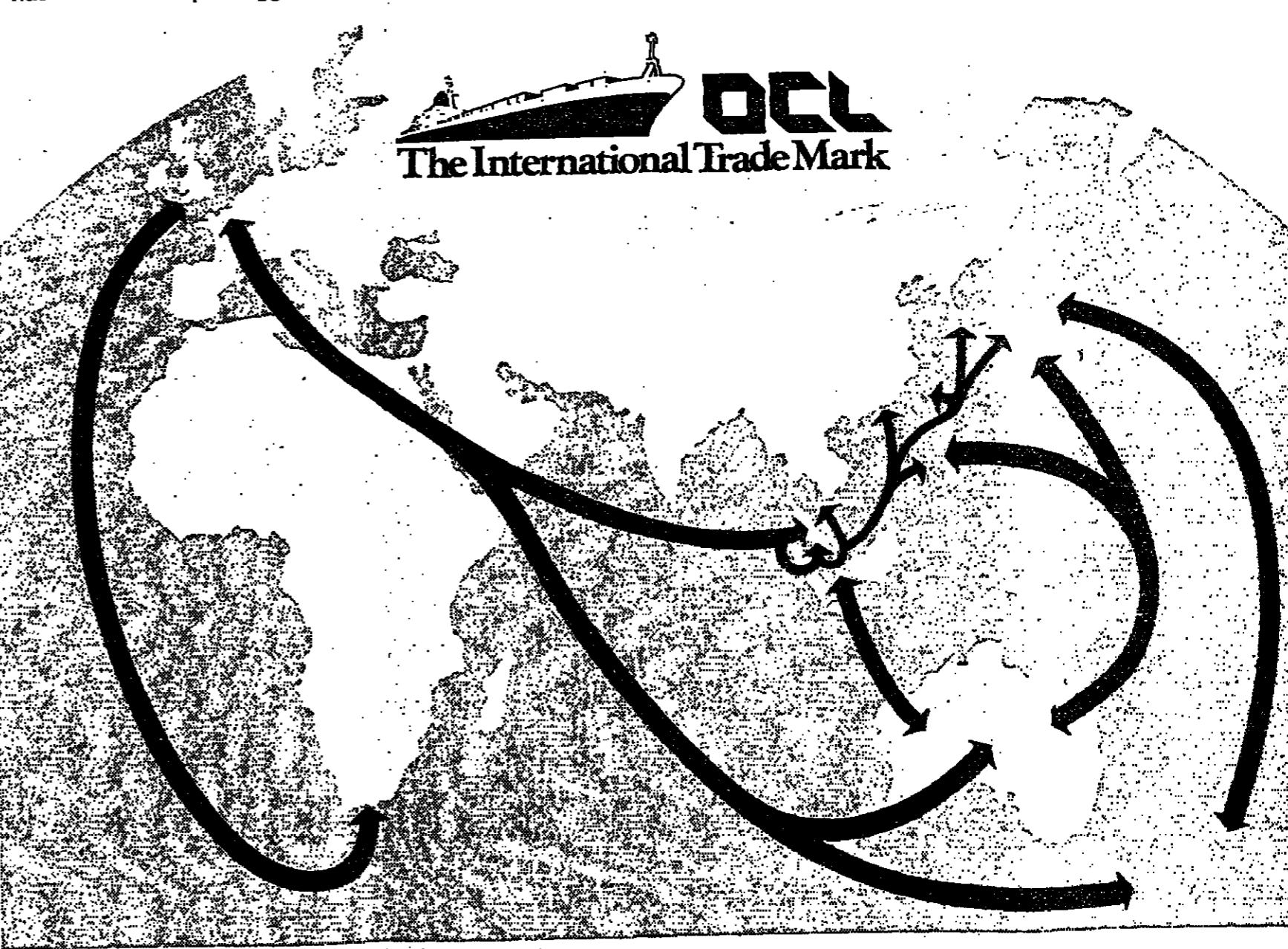
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حکایات العمل

Work on Hong Kong's Mass Transit Railway is now under way after years of planning. The experience gained during the construction and operation of the system will help to determine the approach of other major cities faced with similar transport problems.

Mass Transit Railway

HONG KONG'S Mass Transit second phase and possibly by a Hong Kong Housing Authority is, body whose shareholders will technically, an independent ultimately include the general public. The secret of its profit-making is its first ever underground Hong Kong construction department, and thus its ability according to its chairman, Mr. Norman Thompson, to not only revolutionise urban travel when the unprecedented boom around 11 other than the budget. That will be the relative shortness of the system carries an average daily passenger load of 1.5m. people on a vastly longer network (roughly 15 times the length of the Hong Kong system.) Mr. Thompson explains that the shortness and high density of the Hong Kong system reflects the extremely high density (and relative lack of suburbs) of Hong Kong itself. The New Territories' terminus of the MTR system at Tseun Wan will serve a new industrial town whose population is currently around 600,000 but which could grow by half as much again. In order to accommodate the numbers of people travelling from places like Tseun Wan into central Hong Kong and back, the MTR trains will, not surprisingly, be crowded. Mr. Thompson expects trains to run with a full capacity of 48 people seated and 330 standing on each coach of a six-coach train, giving a total load per train of over 2,250 passengers.

The London underground system does not alter the fact that the railway network and the effect on the economy is also

MTRC (Mass Transit Railway of the major boosts to Hong Kong along it. In the mid-1980s, after

providing highly significant Corporation work. In 1978-79 Hong Kong's domestic economy in the completion of the second

Phase 1 of the MTR, which will actual outlays by the MTRC are 1977 and will continue to do so phase the mass transit system

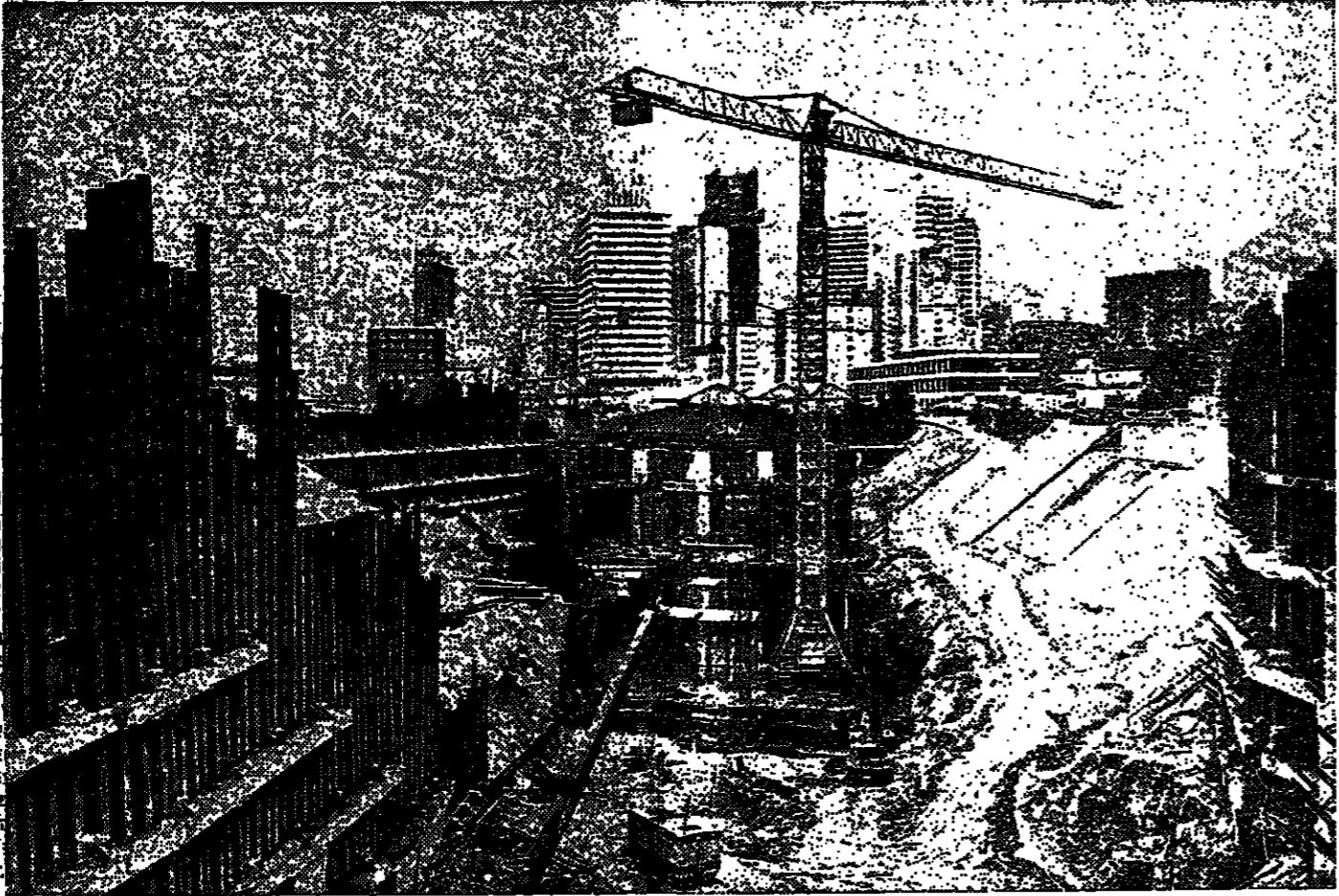
link Young Hong Kong Island with the expected to reach \$HK2.4bn, or in 1978 and beyond.

The MTRC, unlike publicly owned urban transit concerns 40 per cent of the population

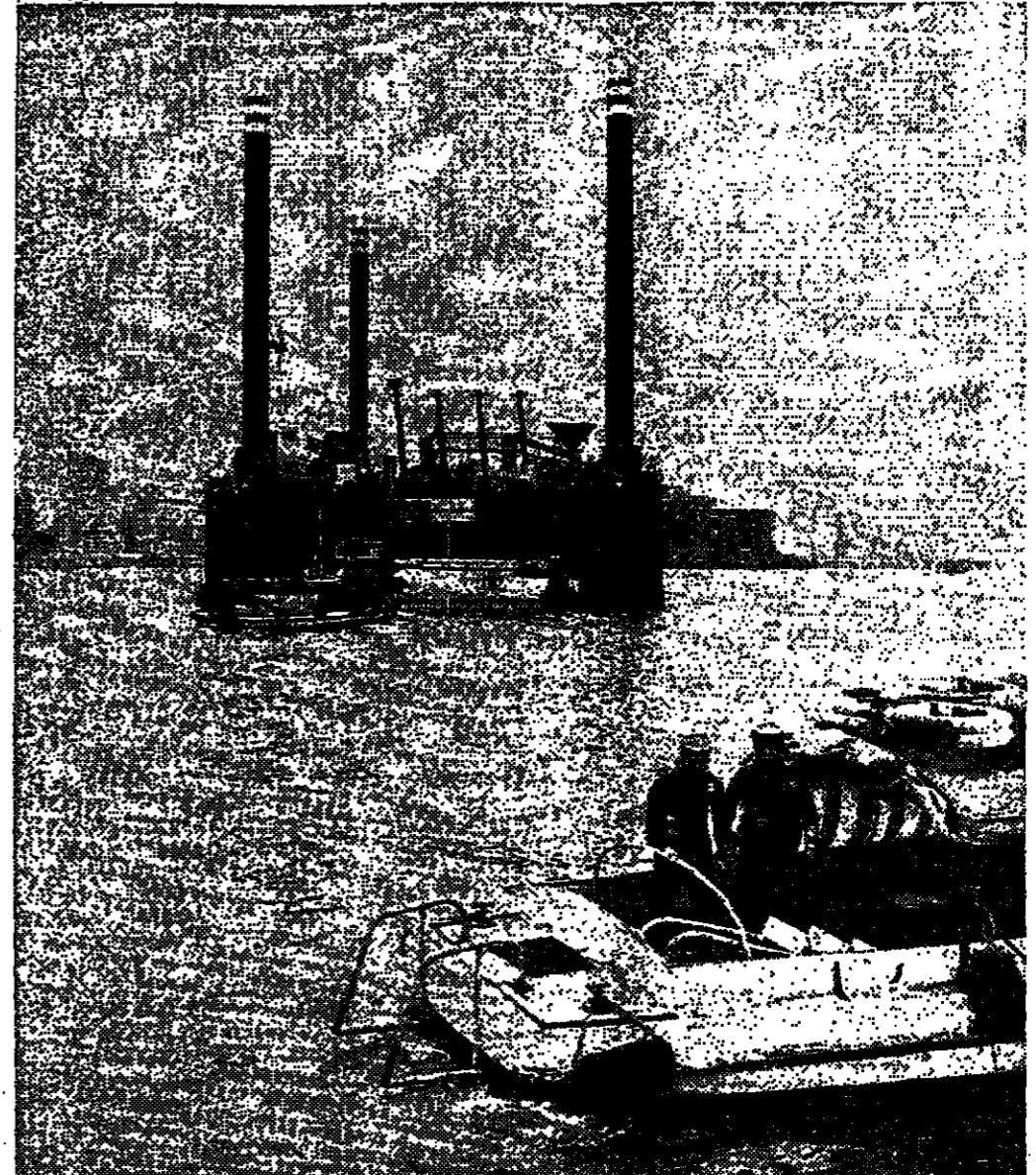
in many other countries is of Hong Kong and the New

territory, but will now be followed by a Government.

The MTRC like the Hong Kong intended to be a profit-making Territories.



Work in progress on a station for the Hong Kong Mass Transit Railway.



Divers working on the MTR cross harbour tunnel. To the rear is the tunnel laying barge.

Density

Apart from the sheer density of traffic the MTRC expects to benefit from the scope for property development along parts of its routes. Office blocks over two stations in the Central District of Hong Kong Island are being developed jointly with Cheung Kong Holdings and will yield enough in floor sales to cover the costs of developing the stations themselves (estimated at between \$HK100m. and \$HK200m. each).

In Kowloon and the New Territories the railway project involves the construction of depots which will be covered by podiums on which major housing developments will be possible. The Corporation expects to house up to 25,000 people on the podium covering its Kowloon depot.

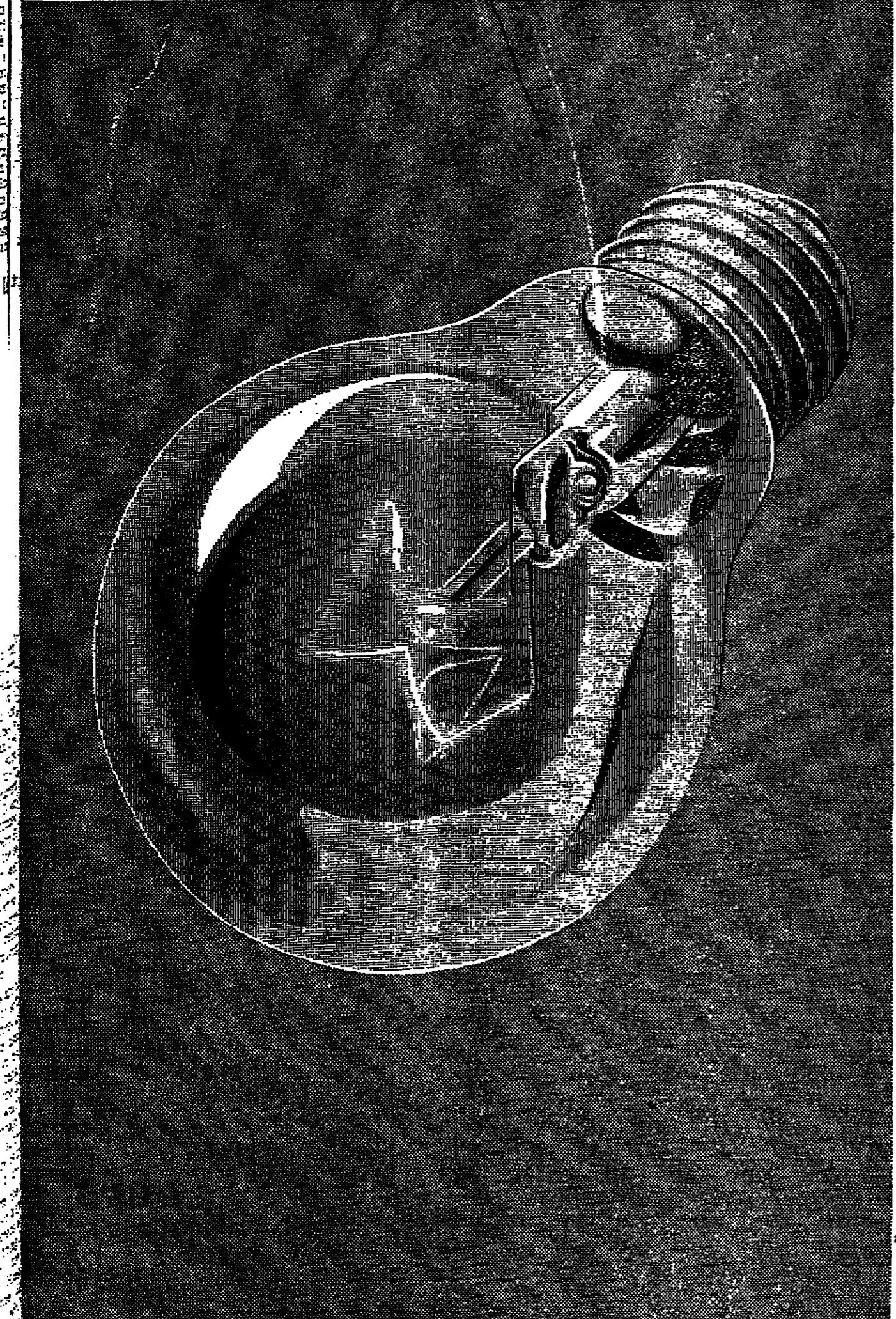
Thirty per cent of the bids for stage one were invited on a fixed price basis. A handsome share of the engineering contracts for phase 1 were taken by British companies, with the main contract for rolling stock going to Metro-Cammel. Tender documents for the

MTRC suffered an initial piece of bad luck (perhaps on judgement) when it accepted a fixed price bid from a Japanese consortium headed by Mitsubishi Corporation for the whole of the first two stages of the project. Mitsubishi withdrew its offer at the end of 1974, setting back the start of the scheme by a year. By doing so it presented the Corporation with the chance to invite tenders during 1975 when the Hong Kong construction industry was in recession.

An interim British success was announced some six weeks ago when the MTRC decided to take up an option from Metro-Cammel for 70 underground factors such as the controls on coaches, in addition to the 140 high rise building in Kowloon originally ordered. (The option which relate to flight paths into Kaitak Airport. Whatever was exercised in order to enable the number of coaches in one train to be raised from four to six.) It is exercising its option to go ahead with the MTRC was successful in ground railway projects.

Charles Smith

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Hong Kong is one of the most densely populated areas in the world, and its housing policy has had to deal with this problem. Inevitably private accommodation is hard to find and expensive, while public sector housing is heavily overcrowded.

Housing

ONE OF the tourist attractions of Hong Kong is its vast housing estates—towering blocks stretching 30 floors up into the sky, and coping with one of the most densely populated communities in the world. And yet, although almost a half of the Colony's population of 14.5m. is now accommodated in public housing, this is still a relatively new development, which began just 24 years ago, almost by chance.

In 1953 a fire swept an area of 500,000 people homeless, leaving 60,000 people homeless. The Government stepped in and re-housed them in quickly erected seven-storey blocks, each with flats 120 square feet each and designed to cater for five people. Somewhat to its surprise the Government found that people were prepared to pay, if only a modest HK\$10 a month, for their flats, and prompted by other fires, it started to build identical blocks, mainly so that valuable land in the centre of the colony could be cleared for commercial redevelopment.

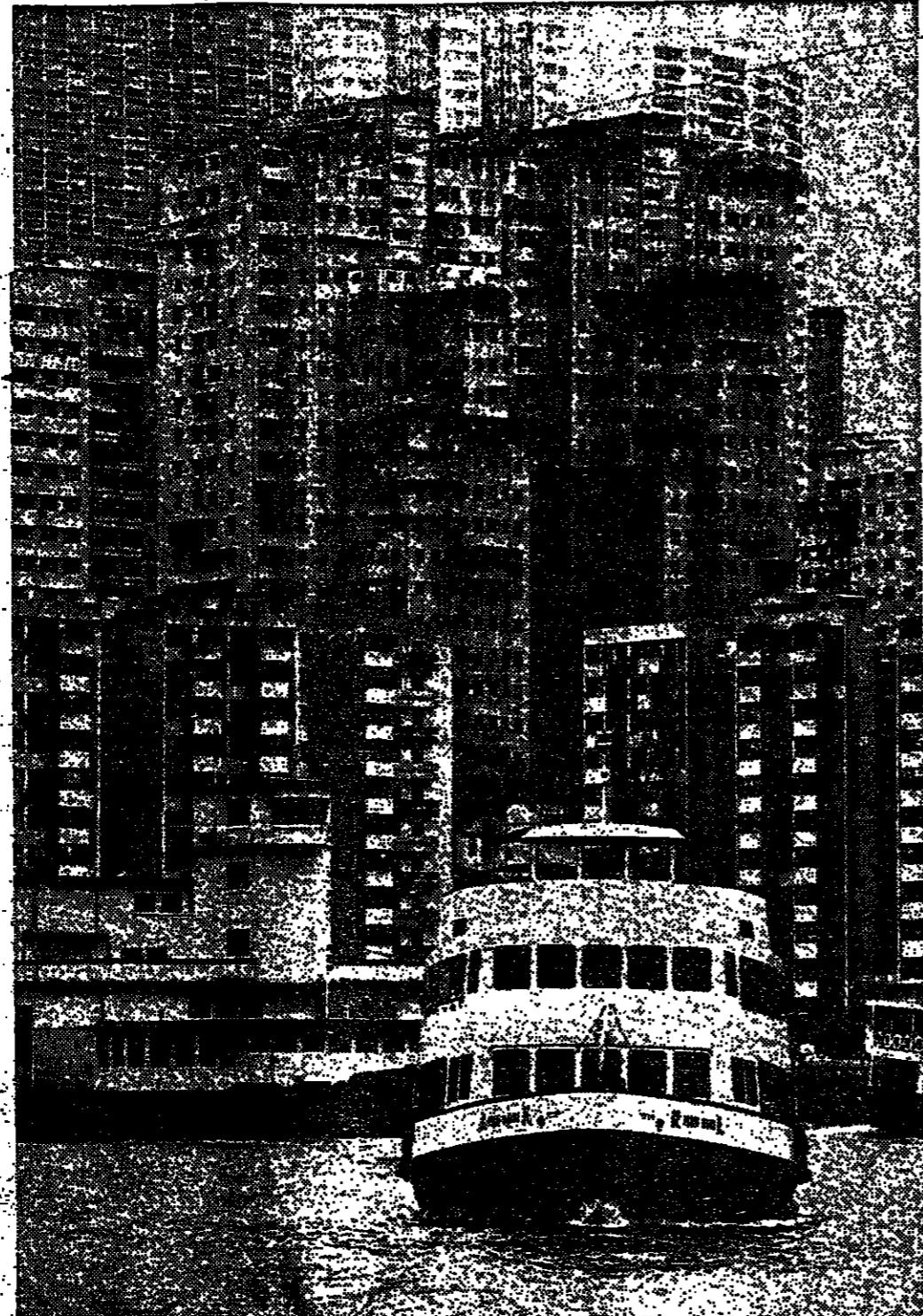
Identical

The Resettlement Department carried on for a decade building identical seven-storey blocks with the same space allocation as one-room flats with the basic aim of re-settling squatters. As the programme gathered pace the more established population of Hong Kong, attracted by the Government's housing, began to demand similar accommodation and a Housing Authority was formed which constructed rather better flats—35 square feet per person plus internal lavatories and washing facilities—in higher blocks. These flats were located according to a points system and a waiting list, and appealed not only to factory workers but the more affluent Chinese as well. After most 20 years the two organisations were finally merged in 1973.

Although the Resettlement department gradually improved architectural standards, and in 1968 was installing lifts in blocks which rose to 16 storeys as well as lavatories, it was still signed to get the maximum settlement at the minimum cost and was prompted by the government's need for land rather than the population's need for housing. But in 1972 the Department accepted the Housing Authority's standard of 35 square feet, and now there is the limited approach to public housing, although 500,000 people still live in the rough ready seven-storey blocks of their communal lavatories and washing facilities.

It says something for the living conditions in the Colony that the Government's ventures should have secured such a favourable response from the non-squatters. Perhaps even more remarkable is that private housing has coped for so long with a situation which grew by 2m. in the decade after 1945 when refugees poured across the border to escape the Civil War in China. To-day, the population of Hong Kong is rising at the lowest rate in South-East Asia, but even in 1973 births exceeded deaths by 100.

Over the years expectations have risen, and although the flat is still one room, with only some screening, higher standards are being introduced. The main aim is to make the Colony more attractive by giving a sense of community. One old estate, at Shek Kip Mei, for example, four of the flats have been demolished, the space will be used to



Apartment blocks tower above one another on Hong Kong island.

erect a new centre with shops, restaurants, banks, etc. All the new towns are planned from the start as small towns with a wide array of shops, open air markets, cheap, and more some of the older estates. It is helped by the fact that the size and all the facilities that the family is declining so accommodation designed for seven people may now be lived in by four. The basic single room remains, and the emphasis is on brightening up the environment. On four estates flats are being demolished to make more space. The vastness of some of the estates—at Tsz Wan Shan number 64, the majority situated in Kowloon and the New Territories rather than on the island of Hong Kong.

Reclaimed

Comprehensive development will be most apparent in the three new towns arising largely on reclaimed land in the New Territories—Tsuen Wan, the first, which will have a population of 1m. by the mid-1980s; Sha Tin, with an ultimate potential of almost 500,000; and Tuen Mun, with the same number. These are designed to draw population away from the currently overcrowded areas of Kowloon, and will be quite sufficient with their own factories, commercial, educational, shopping and recreational facilities, even down to the gambling dens of which the Chinese are so fond. There will be transport links to Kowloon, but the Government hopes that daily travel will be kept to a minimum and that the towns will solve, at least in the short term, the Colony's overcrowding.

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Property

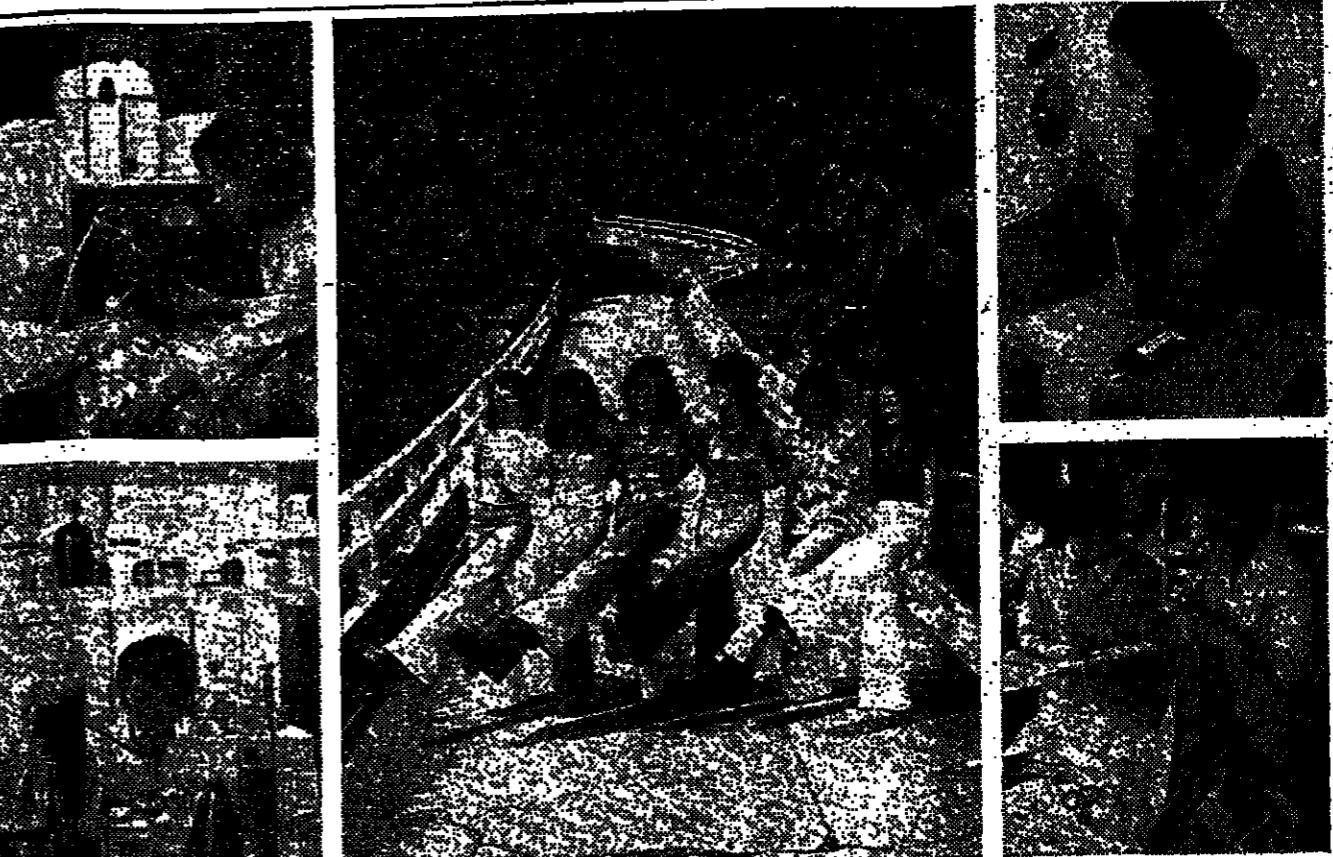
just make a return. Mid-through 1977 developers in short supply and the market was weak, though not as it is at present on the market. Now the product has become cheaper, but the land price increased. James Wu, chairman of Federation of Hong Kong Industries, has questioned the that the market will take care of the price. This factor is reinforced by the preparedness of developers who of it for them. The prices to almost 1,000 a square foot, and he of banks to lend and by the fact that this level has a considerable inflow of money from elsewhere in Asia. The involvement of deposit-taking companies in real estate development has been a record £10.6m. for a 566 square metre site.

Land prices at Government auctions have rocketed in the last three months. Earlier this year a 1,550 square metre site in Tsimshatsui East fetched HK\$80m. So much money has been made in property in recent years that people have cash in hand that they do not know how to employ and are happy to put it back into property knowing that the market will take care of it for them. This factor is reinforced by the preparedness of developers who of it for them. The prices to almost 1,000 a square foot, and he of banks to lend and by the fact that this level has a considerable inflow of money from elsewhere in Asia. The involvement of deposit-taking companies in real estate development has been a record £10.6m. for a 566 square metre site.

Daniel Nelson

Antony Thorncroft

A Vertical Setup...



from fibre to garments

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HONG KONG XIV



Assembling printed circuit boards for Ampex computers.

DIVERSIFICATION IS the latest panacea being prescribed to remedy Hong Kong's faltering textile industry. Outing industrial growth. But side the textile trade diversification is transforming the economy from its heavy dependence on textiles to a diversified and robust entity capable of weathering the storms of protectionism and slow world trade growth simply cannot be performed overnight.

What makes diversification most urgent today is Hong Kong's need to maintain its high economic growth rate and low unemployment when the industry leaders as might the properties of a new wonder drug; and in the end their exhortations and promises for this cure all sound little better than the wild claims of a quack doctor peddling snake-water medicine.

Ever since the textile barons of Shanghai and Canton collected their machinery and workers ahead of the advancing communist army in 1949 and moved lock, stock and spindle from the mainland to the British enclave on China's southern tip, Hong Kong's industry has been diversifying. From the very basic processes of spinning cotton yarn, the textile industry has branched out

into new areas and more

concern on textiles at a steady pace. Electronics, plastics, toys, and radios are just some of the products which now fill Hong Kong's order books.

What makes diversification

to major markets in Europe and keeps some distance between all around the world, whose North America, the Governor, itself and the fast expanding quest for the latest and most advanced ends with the buying of a made-in-Hong Kong pro-

gramme to examine diversification of the economy. What

ever conclusions this August reaches, it cannot work

miracles instantly. Some

of Hong Kong's manufacturers will con-

tinued to diversify. Necessity, now selling for as little as one

of competition, is the mother of all their 1974 prices. How

through an industrial deve-

ment corporation dispensing

advice and even assistance may

be made, but the main diffi-

culties have to be faced.

Digital watches, whose space

faces were such a craze on

the wrists of Europe and North

America for several years, are

now selling for as little as one

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Diode (LED) watches have been

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HONG KONG XV

The fortunes of Macao and Hong Kong have become closely interlinked. While Macao's political survival is a vital factor to Hong Kong, the Colony's economic growth is important in sustaining Macao where prospects for the future are improving.

Macao

ON SOME of the latest Chinese Chinese, since 1949, have re-negotiated Macao's separate identity garded as the unequal treaty is less clearly emphasised than of 1887. Macao was still a that of Hong Kong. Both "province of Portugal" when colonial enclaves are coloured the same as the surrounding section of Kwantung Province, it was part of China. The Macao on the western side of Portuguese ceded in before the Pearl River estuary, is their assertiveness. Since the labelled "Portuguese occupied," Portuguese revolution of 1874, while Hong Kong is "British Macao has become a "special occupied" 40 miles to the east territory," governed by its own. Whereas the 400 square miles of the British colony are outlined by a district border, the 4 square miles of Macao and its two adjacent islands, Taipa and Coloane, are not. The omission probably relates to its small size, but it could be symbolic, reflecting the political reality of diminished Portuguese authority. For all that, the continued use of the words "Portuguese occupied" has significance for both Peking and Hong Kong.

Macao is historically Hong Kong's elder sister. Hong Kong and China have an economic interest in that history continuing for the time being, even if the Portuguese overseas empire is now otherwise ended. Hong Kong is economically Macao's elder brother. Macao has an interest in Hong Kong's economic dynamism, continuing to provide spin-offs, although belatedly, it seeks more dynamism on its own account.

Macao's history predates Hong Kong's by three centuries. It was first visited by the Portuguese in 1516 and first settled by them in 1557. Lisbon paid rent for Macao until 1849 and required a right of "perpetual occupation" by what the British resisted the

erosion of the established authority, while the Chinese belatedly tried to prevent the stabilised authority from being eroded. Practical reasons subsequently saw Chou en-Lai exercising Chinese influence through unofficial representatives in Macao to allow the situation to be stabilised.

Then, it was instability in China threatening Macao's future. The more recent problem has been the question-marks posed for Macao by instability in Portugal. Obviously there have been some personalities in Lisbon who had the ideological imagination to believe that Macao should return to China.

Equally, there were Chinese leaders in Peking with the political imagination to see that the time was not ripe for such largesse. Hong Kong was a major reason for such prudence. Macao is totally dependent on China for water, and heavily dependent for basic foodstuffs and other items. The first ten months of 1977 saw China run a favourable balance of trade of 223.1m. patacas (U.S.\$43.7m.). This kind of financial gain to the foreign exchange reserves of China is small compared with that which it gains from Hong Kong. Just as Hong Kong could hardly have prospered had the British ceded in to the agitations of 1867, so the doubt remains—if Macao goes, will Hong Kong's prosperity be maintained. Short-term destabilisation in Hong Kong would be the likely result of any.

Such a representative would have attracting new industries to the

soil to Her Majesty the Queen's terminal.

Practical considerations may limit the promise of these and other schemes. Macao is linked to Taipa by bridge and Coloane is linked to Taipa by a causeway. But since these links were completed five years ago, the

number of residents in the two islands has fallen from 10,000 to 3,000. Obviously those moving into overcrowded Macao must be thinking like foreign investors—the lack of infrastructure on the islands does not yet attract. Power and water are the most often cited difficulties.

A new power station on Coloane and containing two 23,000 KW generators

should improve the power problem when it belatedly comes on stream, and help to relieve the currently over-worked power station in Macao.

Power station, container terminal, shipbuilding yard—all may be handicapped by Macao's environment of shallow and muddy waters, not to mention a somewhat lethargic administration and a sometimes conservative Chinese business establishment. Police reorganisation and reform would

not all the annual flow of roughly 2m. Chinese to Macao appear to be required to

counter the law and order problem which, if unchecked, could constrain tourist growth.

By Hong Kong standards, the problems are not insuperable. In Macao, there is optimism that once some of the new projects come on stream, they will encourage multiplier effects, and Macao will achieve a more dynamic pattern of growth. The greater degree of autonomy that Macao now enjoys from Lisbon should expedite decision-making by the local government. A new long-term agreement for a higher percentage of gambling profits will provide more revenue.

Given the dominance of pro-China business groups in Macao, the symbol of more direct Chinese investment in Macao (such as is taking place in Hong Kong) is unnecessary.

Should reported discussions between Portuguese interests and China over the possibility of Macao refining Chinese crude oil produce tangible joint co-operation, it would be both a precedent and an additional fillip.

For the moment Macao's impact on Taipa Island to add to the gambling attractions. A feeder by the currency situation. In

container terminal is being reclaimed and dredged on the former Lisbon Coloane island. Two substantial resort complexes, one on the island (Banco Nacional Ultramarino) as the note issuing

planned, to add to Macao's authority, gearing the exchange

rate more to local realities. The

Chinese company, Lisnave, is Pataca has recovered from its

looking at building a ship repair yard. A new ferry terminal will facilitate the tourist flow, as will the purchase of three more Boeing jetfoils.

The main hotel, used in 80 per cent of Macao business transactions.

Harvey Stockwin

Lantau

CONTINUED FROM PREVIOUS PAGE

Lantau is joined to the rest of Hong Kong, a big industrial area, will rise in the north of the island, with a residential development will then leap ahead.

The Hong Kong Government has very definite plans for Lantau, waiting on the present studies, which should take a few more months to complete.

After the construction of the bridge and the industrial area, the remainder of the island will be left as a country park—a lung for the overcrowded colony. There will be some hotel and resort development, but the intention is to control it rigorously; the south coast of the island, which is wild and dramatic, will be kept free of development, as is the quarry for the Hong Kong ferry at Silver Mine Bay. The few communities, mainly of fishing folk on Lantau, are due to have their very traditional and colourful villages modernised in the next few years, although, unlike on Hong Kong or Kowloon, the new homes planned will be low rise buildings, in line with the character of the place. The barren nature of the island, and Lantau will never have a large indigenous population, living off the land. In the next five years with a regular "water taxi" service with Hong Kong, or by private boat—it is in effect a through tourism; then, with the "boat," although the 152 apartments and 14 four-storey houses available for workers living in the north of the island, and half have already been bought. The \$60m. (about £8m.) project which includes a clubhouse, restaurants and bars, is owned by Hutchinson International, and should be completed by the end of this year.

But the Sea Ranch is not the biggest leisure investment in Lantau. To the north is Discovery Bay, one of the most expensive enterprises ever mounted in Hong Kong is planning the resort complex consisting of over 2,100 garden houses, 4,000 holiday flats and a 350-room hotel, which could be extended. Discovery Bay will have its own police, fire and ambulance service.

At the moment Lantau is still a dream-like place. Its beaches along with better roads and housing Lantau must solve its water problem. Ironically there is a reservoir on the island, at Shek Pik, but the water from it is piped to serve Hong Kong island. Shek Pik could serve Lantau, or perhaps more probably, water will be brought in from the New Territories. One great advantage for the Hong Kong Government in its ambitious shape. Covering around 20 acres the project is costed at \$2.5bn. or more (£300m.). Initially there were problems over the cash, but now a group of local Chinese businessmen, with a company called Hong Kong Resort, is planning the resort complex consisting of over 2,100 garden houses, 4,000 holiday flats and a 350-room hotel, which could be extended.

At the moment Lantau is still a dream-like place. Its beaches

are probably the best in the Colony, its villages quaint and unspoiled; its general character green and picturesque. The whole effect is like a Mediterranean island before the arrival of the package tourists. In the summer residents of Hong Kong flock over to enjoy the contrast, and there are more and more commuters prepared to travel up to three hours daily to enjoy rural peace. The Hong Kong Tourist Association is alive to the attractive dual appeal of bustling downtown Hong Kong, with its shops, restaurants and night life, and the empty beaches of Lantau. At the moment there is hardly a tourist bed on the island, apart from a few at the Buddhist monastery at Po Lin, but from now on development will be remorseless, if controlled. In the short term Lantau will be a holiday ground for the affluent of Hong Kong, but the charm of the island makes it quite possible that it will draw in international tourists. It is to be hoped that the inevitable and welcome re-discovery of Lantau will proceed at a leisurely and civilised pace.

Antony Thorncroft

Leandro is undoubtedly assisted by several unofficial Chinese representatives whose advice and consent, and implicit veto power, is more influential than the partly elected Legislative Council, whose membership of Hong Kong's, but Macao is no longer a safe haven for foreign quota avoidance. Macao textile exports face European and U.S. restrictions too. Consequently, Macao is thought already to have reached the limits of its textile growth. Meanwhile, there is no lack of imaginative plans for development projects which will improve the economic prospects for Macao's 265,000 inhabitants. A horse-trotting stadium complex is being completed on the island, to add to the gambling attractions. A feeder by the currency situation. In container terminal is being reclaimed and dredged on the former Lisbon Coloane island. Two substantial resort complexes, one on the island (Banco Nacional Ultramarino) as the note issuing planned, to add to Macao's authority, gearing the exchange rate more to local realities. The Chinese company, Lisnave, is Pataca has recovered from its looking at building a ship repair yard. A new ferry terminal will facilitate the tourist flow, as will the purchase of three more Boeing jetfoils. The main hotel, used in 80 per cent of Macao business transactions.

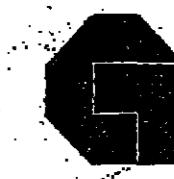
Harvey Stockwin

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A continuing attack is being made on Hong Kong's drug problem, and the Colony's record in this respect is outstanding compared with most countries. But Hong Kong's success is likely to be limited unless the source countries reduce the supply of drugs passing through the Colony.

The drug problem

THE HONG KONG Government's effort to ban manufacture—saying it is containing its drug problem, and certainly a new and legislation provided for the anti-narcotics campaign since the advent of the present Governor in the early 1970s. The creation of a Commissioner for Narcotics to co-ordinate the drive, draconian new anti-corruption measures, injections of Special Branch officers into the police Narcotics Bureau; seize, depressive, arrests and convictions; an out-patient programme; and improved anti-drug publicly have all helped end the old drug hegemonies within the territory.

According to the Narcotics Commissioner, Mr. E. L. Lee, government expenditure on all aspects of the drug problem has increased from \$HK40m. (about £46m.) in 1975, to a current annual \$HK60m. (£6.9m.). Even so, expenditure on drugs at street level is still, he says, a disturbing \$HK600m. (£69.3m.) annually, serving a very notional 80,000-80,000 addicts, mostly on heroin. This sum he equates roughly with the territory's current annual expenditure on its police force and prisons.

Hong Kong's heroin—like most of Europe's, Canada's and Australia's—originates in the so-called Golden Triangle at the juncture of the Burma-Laos-Thailand borders. (With a nod and a wink some Hong Kong officials call it the "Golden Square" to include the extension of the hill tribes and their poppies across the border into Yunnan Province in South-West China.) Until quite recently most of Hong Kong's supply of illicit narcotics arrived by Thai fishing trawler as huge consignments of opium and morphine for manufacture into heroin locally. The official view is that since the 1974 arrests and convictions of several major dealers in Hong Kong, with resulting long prison sentences, consignments are smaller and enter mostly as heroin either on couriers or imaginatively concealed in legitimate cargoes by air and by ocean-going vessels. It appears that the big operators have been replaced by their lieutenants and other smaller operators moving in and out of the trade on an ad-hoc basis. In 1975, the unlicensed possessors of acetylating substances has fallen sharply from 90 to 50 per cent of the total prison

population. Heroin prices have shown a significant rise overall in the period. The average maximum sentences of 15 years and a fine of \$HK1m. (£15,540). Hong Kong officials say this brisk raising of the ante, combined with arrests and break-ups of the biggest syndicates just mentioned, persuaded Hong Kong heroin "chemists" to move to Thailand, and perhaps Malaysia.

For the same reasons, they assert, Hong Kong has to an extent lost its role as a distribution centre in the international drug market. The claim by Mr. Lee that "to all intents and purposes the export of drugs from Hong Kong has stopped" is supported by narcotics men from Hong Kong's erstwhile markets. Some years ago Hong Kong was considered an important manufacturing centre for heroin reaching Canada from the Golden Triangle—still estimated as the source of 85 per cent of the heroin arriving in Canada. In the past year, however, Canadian officials report no known case of imports direct from Hong Kong. The official consensus is it is cheaper and safer for couriers to take delivery of the heroin nearer the new manufacturing centres in Thailand or Malaysia.

Efficient

Hong Kong, with its efficient communications system, minimal exchange controls, and entrepreneurial talents in regular contact with large overseas Chinese communities through the restaurant trade, for example—is generally assumed to have continuing importance as a financing and organising centre and as a recruiting point for couriers. In short, the drug traffic to and through Hong Kong, though far from checked, is now under much greater pressure. Chief Superintendent Johnston, head of the Narcotics Bureau, says there is greater concentration on significant targets (distributors, factories, etc.) less on boosting arrest figures and seizures by picking up addicts: 14 heroin factories were uncovered in 1976, compared with three in 1973; and the number of addicts in Hong Kong prisons has fallen sharply from 90 to 50 per cent of the total prison

population. Heroin prices have followed up of one kind or another. All are work and self-respect oriented in the treatment period—20 weeks at done programme leading to a SARD and a flexible 6-18 phasing out of the more months in the prison centres. Both systems claim a success rate (that is, no positive urine test or reconviction for those who complete the treatment period) of about 40 per cent for the two or three years follow-up of the immediate post-discharge period. Both systems in their ways select most promising cases for treatment, but this figure is impressive compared with most countries.

Government officials do not deny that they see the methadone programme leading to a SARD and a flexible 6-18 phasing out of the more months in the prison centres. Both systems claim a success rate (that is, no positive urine test or reconviction for those who complete the treatment period) of about 40 per cent for the two or three years follow-up of the immediate post-discharge period. Both systems in their ways select most promising cases for treatment, but this figure is impressive compared with most countries.

Modest

These modest residential services were supplemented in the mid-1970s by a Government-run methadone maintenance and detoxification programme for outpatients. Since 1972 some 20,000 people have registered. Of these about 200 have been "detoxed" (withdrawn from heroin) according to a Government spokesman. At the end of March daily attendance was only about 5,000, leaving a balance of about 15,000 unaccounted for, as he put it. "Medically it is not a success but socially and economically it is," he said.

The case for the methadone programme is its cheapness, that it offers addicts an alternative to crime (free if necessary) and that it deprives the illicit trade even now of 5,000 customers. Critics who warmly support the programme say it offers treatment places to a welcome if in principle—say it misfires for lack of supportive customers. That many addicts are in pleasant settings in the maintenance and that lax supervision of female addicts. All these centres seeking detoxification switch to the Commission, "nearer the very small number of counselling that many addicts are in pleasant settings in the maintenance and that lax supervision of female addicts. All these centres seeking detoxification switch to the Commission, "nearer the 50,000 than 100,000." And of these only 14,000-15,000 (according to him) are being reached in the physical withdrawal programme (methadone, largactil, quantities.

Patricia Penn

Police

CONTINUED FROM PREVIOUS PAGE

defuse the built-up hostility in the Yau Ma Tei group. In an attempt to win public support, the JPOA has been seen to be taking an interest in the Yaumati group, which recently suffered a defeat in the five-month long court battle against ten officers who were cleared on corruption charges, will not be pursuing a case against the 119 because of insufficient evidence. It would have taken up to four years, a Government source said, to bring charges against them. None of the 119 have been named and the Government will not specify how many were from the Yaumati group.

The Attorney General's office, which recently suffered a defeat in the five-month long court battle against ten officers who were cleared on corruption charges, the JPOA could turn into a police force within a police force have not been realised.

But already there is talk about there being order but no law in Hong Kong. Corruption, they say, has gone underground and bent policemen are no longer open to bribery because they are running gambling dens and other illegal operations themselves.

The curious case of a detective sergeant shot dead in an illegal gambling den in late March has left many questions unanswered. He was given a hero's funeral, which was attended by the police Commissioner. Spokesmen say the sergeant was trying to prevent a robbery, and although he was off-duty at the time (3.30 a.m.) when he drew his gun to prevent the crime, he had effectively put himself back on duty.

The fact that five men are now accused of being "cop killers" may, it is suggested, shroud the reason for the sergeant's presence in the den in the first place.

Cancer One observer of the force compared corruption within the force with a cancer: while it was possible to isolate and perhaps even remove the malignancy, it was near to impossible to try and cure it when corruption had spread so widely throughout the body of the force. This source said it was not the ICAC's job to act as surgeon or physician, but that role should be the responsibility of those who controlled the organisation.

Another test of the ICAC's investigative process is taking place in the biggest corruption trial so far—against 34 police officers, one of whom was recently decorated with the Colonial Police Medal by the Governor. This trial which is to begin in mid-April, is scheduled to last five months.

One positive result of last October-November's confusion has been the consolidation of the tattered morale of the rank and file after the amnesty and the whistle called off the ICAC. The 16,000 junior police officers were given permission to form their own association, their brief was to advise the Commissioner on discipline, staff management and morale, chain of command and channels of communication at all levels, as well as recruitment and relations with the ICAC. Cynics claim that the JPOA is a legalised pressure group for bent policemen, a claim which the association hotly denies.

The advisory capacity of this British team was constantly emphasised, so much so that thus enabled the Government to act decisively to end "constant rumour and discontent" fed by homeless by handing out blankets during one very wet and cold January week. The need to bring in more expatriate officers and institute other changes with the SHK638m. allocated to the police in this financial year. Sources

close to the team, which wound up its inquiry on April 17, say that many changes were already in the pipeline like the reorganisation of the public relations department and the execution of CR55 when the three advisers arrived—which lends weight to the rubber stamp theory.

Although there is much confidence that corruption has been "enormously reduced" in the RHPK, there are still many loose ends left hanging, and the extension of the Governor's term for another ten months has been largely welcomed by the community. As a source close to the Governor explained, he would not want to leave with the events of November ringing in his ears. With CR55, however, Sir Murray has probably wiped out some of the jeers which greeted his "capitulation" in November.

Mary Lee

1977 achievements point to an active 1978

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Fung King
Hey

WHETHER OR not Mr. Fung King Hey is one of the wealthiest men in Hong Kong he certainly acts as if he is. The headquarters of his Sun Hung Kai Securities company on the 33rd floor of Alexandra House in central Hong Kong are more lavish than those of Jardine, Matheson and Company on the 48th floor of the Connaught Centre. Mr. Fung keeps a Rolls-Royce, a Maserati and a Lincoln Continental parked outside his house on the Peak and spends week-ends cruising in a \$1.5m. yacht.

Conspicuous spending is logical enough in Mr. Fung's case, however, since his business is finance—not any particular kind of finance but anything that comes along. Fung made his first million dollars as a trader in the 1940s, lost it after the Communist takeover of China and then made more millions in Hong Kong property during the 1960s. He shot into prominence after 1969 when the long established Hong Kong Stock Exchange lost its monopoly of the Colony's share transactions and Sung Hung Kai became almost overnight the main securities broker on the newly created Far East Stock Exchange. Fung says his firm was doing 20 per cent of all Hong Kong share transactions six months after the new exchange was opened and was at one time earning \$HK11m. every eight weeks in share brokerage fees.

Sun Hung Kai's share broking business flagged after the 1973 stock market crash, although the company has kept its dominant stake in the market. What did not flag was Mr. Fung's enthusiasm for financial wheeling and dealing and his talent for spotting new types of business. Today brokerage fees have shrunk to less than 30 per cent of Sun Hung Kai's earnings (from 80 per cent at the height of the boom) while other kinds of finance account for 60 per cent. To 70 per cent turnover. Gold and foreign exchange arbitrage between the Hong Kong and Western markets has overtaken share brokerage as a source of earnings.

Sun Hung Kai also claims to have passed several of Hong Kong's smaller banks as a deposit taker though admits to having a long way to go to catch with merchant banking giants like Wardley and Co. (the subsidiary of the Hong Kong and Shanghai Bank).

In commodities Sun Hung Kai deals on the local Hong Kong market and, through an American partner, ACLI International, in overseas markets. It has ambitions to get involved in equity investment in Japan but



Fung King Hey.

dissolved a joint venture with New Japan Securities Company to become an integrated textiles manufacturer.

Mr. Fung's business grew fast in favour of going it alone. Mr. Fung also claims satisfactory commodity business with China, though the only visible evidence of this is a gift of tropical fish in the tank in his office from "my Chinese friends."

Mr. Fung has got where he is without speaking, or at least admitting to be able to speak any English. He claims to understand only 10 to 20 per cent of an English business conversation and conducts his side of the discussion entirely in Mandarin and Cantonese. This disability kept Mr. Fung off the Hong Kong Stock Exchange in the 1960s (because all dealings were in English) but may have been an asset when the Far East Stock Exchange was opened by Chinese bankers. Ordinary Chinese investors seem to have flocked to Sun Hung Kai during the early days of the new exchange (which now exceeds the Hong Kong Stock Exchange in turnover). Mr. Fung says he is a strong advocate of merging Hong Kong's four exchanges into one. If and when merger does occur Mr. Fung will presumably want the new exchange to do its business in Chinese.

Mr. Fung says modestly that Sun Hung Kai does "a quarter of everything" in finance and, less modestly, that he is not quite sure which new worlds to conquer. The worlds he would like to conquer are presumably those outside Hong Kong—in other words Sun Hung Kai is already in the major financial centres of London, New York and Tokyo.

Mr. Fung's problem is where to go and what to do next. He discounts the possibility of any further investment in textiles in Hong Kong, except in modernisation of existing capacity. One reason for the poor local prospects is the restraint on Hong Kong's exports to practically all its traditional overseas markets. The other is that the industry is running short of labour because it offers poorer working conditions than the fast growing electronics industry. (Mr. Cha claims that his labour force in dyeing and finishing is at 10 and 15 per cent below optimum levels— he also rules out the possibility of Hong Kong importing "guest workers".)

Outside Hong Kong there is still theoretically scope for expansion, but in practice things are getting more difficult. China Dyeing has been obliged to "nigeriaise" its operations in Nigeria by appointing Nigerians to its board, increasing the numbers of local managers and technicians and selling shares to the public. Similar demands for local participation exist in almost all other potential producing countries, so that the simple expedient of producing textiles in places other than Hong Kong no longer seems to work.

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Its growth rate, however, has been unprecedented. The company owned 6.35m. square feet of property at the end of 1976 and 10.2m. square feet a year later. Mr. Li says he thinks expansion may slow down a bit in the years ahead if only because the Hong Kong property market cannot be expected to continue booming as it has done in the past year or two. He is absolutely confident, however, that Cheung Kong still has far to go in terms of profits and turnover. "Our income will go on rising, because most of the land we hold was bought at prices far below present market levels: at the very least, we expect to add 30 to 40 per cent, to our fixed income over the next three years."

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Mr. Cha was a pioneer in the latter field. He put his company into Nigeria from 1964 onwards, establishing a factory in Northern Nigeria in partnership with Northern Nigerian Investment (a joint venture between the regional government and the Commonwealth Development Corporation). Nigeria had been a substantial market for China Dyeing before Mr. Cha decided to start operations there.

After the success of the initial Nigerian venture China Dyeing set up three more Nigerian factories and then established manufacturing presences in Ghana (1967) and Indonesia. The Ghana venture generates about one-third of combined turnover in Nigeria and has run into problems, including a shortage of local cotton supplies. The Indonesian venture (established in 1974) is confined to spinning. Overall, however, China Dyeing now produces about six times as much outside Hong Kong as it does within the Colony.

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On this page and opposite, CHARLES SMITH

profiles several of Hong Kong's leading businessmen and industrialists: how they have reached their present positions, the companies within which they operate and their views about Hong Kong's industrial and business prospects.

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Around 1957 Hong Kong plastics industry discovered the secret of making flowers that looked real, and Mr. Li switched all his resources into flower making. "We knew plastic flowers were better than paper ones because you can wash them and they last for ever." Mr. Li's company was Hong Kong's biggest plastic flower maker for the next 10 years until he decided to move into something else because "the technology was getting too easy to imitate." Mr. Li claims that in the last six months of 1969 his company was still the biggest in Hong Kong in terms of employment and turnover. A year later it had switched to toys, which it continues to make to-day. The chairman, however, spends less than one hour a month in his factory. All the rest of his time goes into the property business.

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Shogi, a Japanese member of the chess family, was first introduced in about the 8th Century. A feature peculiar to shogi since the 16th Century, is that captured pieces become members of the capturing side and can be returned to any position on the board. (Here, the player at the near end of the board is in a strategic position.)



Li Ka Shing</

Tsang Hsiang Wang

MR TSANG HSIANG WANG is demand for paper and printing a professional investor but a Oji also happens to be the big rather unusual one. He does best corporate landholder in Japan with properties. Mr. Wang says, roughly equal to those of two or three other like-minded Chinese businessmen. He also seems firmly opposed to the idea of spreading his risks. For the past five or six years Mr. Wang and his friends have been conducting "intensive" purchasing of selected Japanese shares, starting with the leading soap manufacturer Kao Soap in 1975, switching to the monosodium glutamate manufacturer Ajinomoto a year or so later and then, in early 1977, buying massively into the top Japanese paper manufacturer Oji paper.

Mr. Wang and his friends at one time held as much as 18 per cent of the stock of Kao Soap, before selling out with a 50 per cent profit on their original investment. They bought Ajinomoto at Y400 per share and sold six months later at Y535—a profit of 33 per cent. But things have so far gone rather less well with Oji Paper.

When Mr. Wang started buying the shares a year or so ago, the price was Y380 per share, but it has so far only moved to Y387 despite a number of built-in advantages which Mr. Wang feels should make the company an "attractive" investment. Another cause of annoyance was the simultaneous though temporary refusal one day last October of the eight Japanese securities companies which have Hong Kong offices to sell Mr. Wang any more Oji shares.

Mr. Wang says he thinks he understands where the eight securities companies suddenly became unable to sell. They had not been specifically forbidden to do so by the Ministry of Finance, which would have considerably "overstepped" its competence in such matters if it had tried to ban "any further sales." The securities companies, however, had been called into the Ministry and asked questions about their operations in Hong Kong, which in the context of the close involvement of the Japanese Government in the affairs of private business, was enough to cause some anxiety.

One of the original syndicate members, Mr. Fung King Hey, who sold out of Oji when problems started cropping up, Mr. Wang and his friends are standing firm. They are fully entitled under Japanese law to maintain their 18 per cent holding, as long as they wish (the maximum permitted shareholding for foreign investors in Japanese companies is normally 25 per cent). They also believe that there are good reasons why Oji should eventually appreciate substantially.

These include the likelihood that the Japanese Government will decide to re-denominate its currency within the next year, or so, thus boosting the him out of their market.

Mr. Wang says he plans to attend Oji's annual meeting in the early summer and raise a number of points about the company's current management policies and the scope for improving its profitability. He points out that shareholders who own more than 10 per cent of the equity of a Japanese company have the right to demand an independent audit. He recognises that awkward questions are not normally asked at the annual meetings of Japanese companies and that those who do ask them can find themselves subjected to fairly vigorous pressures not to pursue their inquiries. Mr. Wang is prepared to put up this even, he implies, at some personal risk.

Why did Mr. Wang become a full-time professional investor in Japanese securities and why does he make a practice of putting all his eggs into the same basket? The answer to the first part of the question is that he speaks and reads fluent Japanese, having been educated at a Japanese school in Taiwan (where his father was a coal mine owner) during the war. The answer to the second part is that Mr. Wang like other Hong Kong businessmen has a lot of faith in his own judgement. He spends four hours a day reading Japanese newspapers and market reports and habitually puts in at least six months of study before deciding to buy a stock. He also makes full use of the services of Japanese business inquiry agencies.

Mr. Wang has \$70m. invested in Oji; at present 18 per cent of the total equity and will probably leave it there until the end of the year or longer (depending on when the Japanese Government announces its plans for re-denomination). When he sells his shares there is a chance that he may move into Wall Street or into the London Stock Market, where he detects some interesting situations connected with North Sea Oil.

British stockbroking firms would presumably find Mr. Wang a rather unusual kind of customer. But Japanese securities dealers who have not yet got over their embarrassment about the events of last October, currency within the next year would probably be sad to see him move out of their market.

TOURISM IS Hong Kong's third biggest revenue earner. This year it should contribute over SHK450m. to the Colony's income, or well over 10 per cent, of foreign earnings. And, unlike textiles and electronics, which head it in importance, tourism is not at the mercy of tariff walls and EEC restrictions.

Hong Kong has been very successful in attracting visitors. In 1977 over 1.3m. arrived, a rise of 12.6 per cent on 1976, and this year another gain is expected. Most of them come from Japan — almost half a million last year — and the rest of South East Asia contributed another 420,000. Then came the Americas with just under 20 per cent, and Australasia with 11 per cent. There were 71,000 visitors from the U.K. in 1977, but this did represent a jump of 23 per cent on 1976. There is no knowing, of course, whether the visitors are holidaymakers or businessmen.

What is known is that the visitors only stay an average of four nights, and one of the purposes of the Hong Kong Tourist Association is to try and persuade tourists to stay longer. In the past the main attraction of Hong Kong to tourists has been its shopping, and, even to-day, of every dollar spent by the visitors 61 per cent goes in the shops; but more important, the lack of hotel accommodation away from the urban area. Now this is changing. By the end of the year holiday apartments should be pushed to the appeal of the completed at the Sea Ranch on Colony as two centre holiday the south east of Lantau, a the island of Hong Kong and larger island than Hong Kong Kowloon, across the harbour but until now largely unexploited. By 1981 a very restaurants and all the big city comforts, and, in complete contrast, the quiet beaches and the north of Lantau. In theory charms of the 200 and Lantau, with its extensive more islands in the Colony as beaches, unspoilt villages and well as the undeveloped attractively green hillsides.

Alex Au

Mr. Alex Au is a self-made man even by the standards of Hong Kong. He arrived from Taiwan (where his family runs a small tea broking business) in 1961 and apprenticed himself at the age of 14 to a plastics company which was turning out cases for the local radio industry. After a couple of years he "resigned" and set up as a broker finding customers in the electronics industry for makers of plastic parts and components. After two more years of this he saved enough to buy his first injection moulding machine and was in business on his own account.

Mr. Au's original Chee Yuen Industrial Company, which owned the one and only injection moulding machine, is now part of a group of 31 companies active in plastics, electronics assembly, electronic components and entertainment.

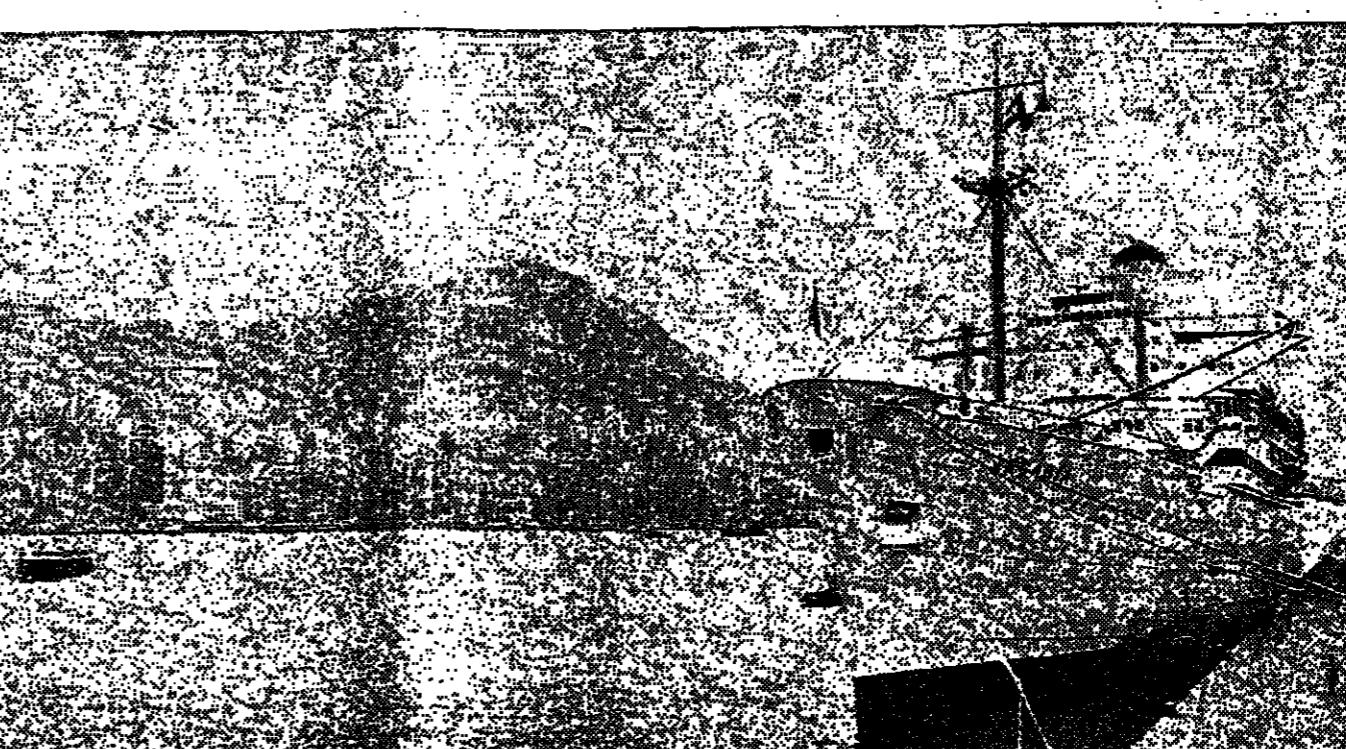
The group holding company, set up two years ago, is called Conic Investment Company (a name suggested by a Japanese freelance designer who also designs the exterior of most of Conic's consumer products). The group claims to account for 30 per cent of Hong Kong's exports of radios, cassette recorders and digital clocks.

During the past two years it has set up factories in Taiwan and Singapore and this year it plans to establish plants in Thailand and the Philippines (where Conic products will qualify for tariff cuts under the U.S. Generalized System of Preferences which do not apply in Hong Kong).

Conic also has a sales and research company in Japan staffed in part by Japanese technicians whom it "bought" from leading Japanese electronics makers with salaries approximately 30 per cent higher than they were getting. Its strategy for the next three or four years calls for the development and production of a low-priced video cassette tape recorder (VTR) priced at perhaps SHK1,500, as against the SHK1,000 price tag carried by most Japanese models. Conic also intends to protect its own brand name on to world markets instead of selling nearly all its output to other manufacturers for marketing under their names.

Selling mainly through other manufacturers is one reason why few people, other than bankers, seem to be familiar with Conic's name even in Hong Kong itself. Another reason is the deliberately low profile which Conic itself has maintained up to now. The company's head office, for instance, is on the fourth floor of a nondescript multi-storey factory building in Kowloon.

Mr. Au himself keeps well in the background despite a fluent command of English (acquired in the intervals between building up his industrial empire) and of three Chinese dialects.



The P & O liner Arcadia at the Ocean Terminal, Kowloon.

countrieside of the New Territories, on the mainland of China.

In the past it was difficult to persuade visitors to linger on the islands because of problems of access and, more important, the lack of hotel sea communications will restrict the Association, "what we want of August, as anticipated, so it is no knowing, of course, whether the visitors are holidaymakers or businessmen.

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Our subsidiaries aren't puppets. They stand on their own two feet.

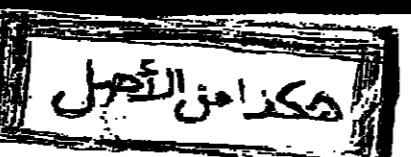
A puppet, however well it may perform, can never be more than an expression of the man pulling the strings. The development of one of our principal resources, people, is a key factor within the Hutchison Whampoa Group. The input and creative thinking of line management is the basis for our further development and future growth. We have diverse activities throughout South East Asia, the UK and Australia. Through our subsidiaries, we have trading and investment links with virtually every aspect of Hong Kong's economy and the entire commercial world. We enjoy puppets, their antics and performance, but we don't believe in running our organization that way. At Hutchison Whampoa, the future lies in our resources and in the people who develop them.



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COMPANY NEWS

General Accident hopes for an advance with better underwriting

GIVEN AN increase in its worldwide investment income, an improvement on the overall 1977 performance is hoped for in the current year at General Accident Fire and Life Assurance Corporation.

The recent 9 per cent. increase in motor rates will help but the householders account continues to be unfavourable.

The motor business in all European areas is unprofitable and improvement is difficult to achieve while governments are unwilling to allow adequate rates of better worldwide underwriting results in 1978.

Underwriting in the U.S. is anticipated to move into profit from £17.65m. taxable profit soared to £70.18m. (242.6m.)—as reported on March 2. The net dividend is raised to 8.09p (7.23p) per 25p share.

However, in those territories which showed the best result in

1977 some severe competition and rate cutting are again emerging. There are few signs of encouragement in Europe, and the U.K. is problematical, he states.

The recent 9 per cent. increase excluding inner reserves, was up £163.2m. (£160.5m.) at year end.

Donations to charities, and educational establishments in the U.K. amounted to £83,000 and £15,000 was paid to British United Industrialists.

Higher retained earnings of £34.43m. (£13.54m.) lifted the total surplus to £412m. representing 61 per cent. of 1977 premium income (58.8 per cent.).

The directors consider that the proposed supplementary statement to the Hyde Guidelines on current cost accounting does not adequately reflect the impact of inflation on insurance company results and the company has not yet adopted the guidelines, he comments.

For 1977, with a reduction in underwriting losses from £17.65m. to £70.18m. taxable profit soared to £70.18m. (242.6m.)—as reported on March 2. The net dividend is raised to 8.09p (7.23p) per 25p share.

Meeting, Perth, on May 23 at 11.30 a.m.

Investments and liquidity, 11.30 a.m.

THE NEW YEAR has started with a healthy solvency margin for Sun Alliance and London Assurance. Lord Aldington, the chairman tells members. Taking assets at market value the margin increased during 1977 from 82 per cent. to 79 per cent. on higher premium income.

The group maintained its policy of selective investment in properties during the year and the purchase, for £15m. of 11 properties from Rank Organisation increased during 1977 from 82 per cent. to 79 per cent. on higher premium income.

The home motor account has achieved some growth in income despite intense competition, and a small surplus was earned last year but the marked increase in the frequency of accidents is a cause for concern, he comments.

Referring to the company's recent pay settlement he says that he intends to continue to try to persuade the Government that the director not only thought it was within the guidelines, but that they were right in so thinking and that it has not added to premiums and is, therefore, not increasing inflationary pressure.

With a turnaround of £11m. in fire and accident underwriting and investment income up at £32.2m. (£34.67m.) taxable profit expanded to £27.2m. (£37.8m.) in 1977 as reported on April 6. The net dividend is raised to 20.15p (19.18p) per 25p share.

Investments and net liquid funds at year-end were up £1.4m. (£2.0m.).

Lord Aldington warns that through the trends in consumer protection are well meant, they involve increased costs which in the long term consumers themselves have to bear. If the search for the best is pushed too fast or too far, it could make insurance too expensive.

The chairman says that the consolidation policy of the past few years has left Slough Estates in a stronger position than ever, says Mr. Nigel Hobbs, the chairman, in his annual statement.

Members are told that the company made new acquisitions in Germany, Australia and the U.S. during 1977 and world-wide it built or acquired 811,000 square feet of new industrial and commercial space.

The company is now actively assessing further opportunities for profitable expansion to meet anticipated demands where it operates, states Mr. Hobbs.

He is confident that 1978 group results will exceed those for the previous year, although, warns that the extent of the excess will depend on the success of the group to buy turnover at 25p share and the dividend is unrealistic margins. He says it is raised to 4.213p (3.725p) net, not the intention of the group to compete in such a market place.

With the object of improving profit ratios, the group has in domestic and world economies, although heralded is not yet in sight, Mr. Boden states.

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Proceedings instituted in France against the holding company and one of its French subsidiaries arising out of alleged breaches of contract are continuing to be vigorously contested say

Wilmot Breeden looking to higher second half margins

IN HIS annual statement Mr. David Breeden, the chairman of Wilmot Breeden (Holdings) says that the group is reacting quickly and positively to come to terms with lower demand in some operating companies and most of the costs of redundancies and reorganisation will be absorbed in the first half of the current year.

These margins should rise progressively if demand does not fall below present levels. The outlook in France remains good, he adds.

Capital expenditure will continue at a high level in 1978 with £42.2m. to be spent world-wide.

Spending is expected to fall in 1979.

As reported on April 13, pre-tax profits fell from £22.1m. to £20.8m. in 1977 on turnover of £90.15m. (£82.35m.).

If Hyde proposals on inflation accounting had been adopted

the group will begin to reap the full benefit of the complex factory reorganisation embarked upon three years ago, when the mechanisms of operation will be contained for the first time on a

single major site.

In spite of the difficult trading conditions in Australia, a profit was made and the steps taken to diversify into marine components and factoring have afforded some protection from the slump in car production. Here again, major economies will have to be made which are not likely to show in the results until the last quarter of the year.

The other investment in high technology, Thor Cryogenics, is achieving a high rate of growth.

Sales in 1977 were 42 per cent. greater than for 1976, and 68 per cent. were for exports. Thor and Trulox are now regarded as being more important than their relative size in the group might suggest. They are giving to the group an insight into the changes in technology which might affect some of its traditional products and investments, and by so doing generate some growth and improve trading in the second half.

Meeting, Slough, on May 23 at 11.30 a.m.

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The home motor account has achieved some growth in income despite intense competition, and a small surplus was earned last year but the marked increase in the frequency of accidents is a cause for concern, he comments.

Referring to the company's recent pay settlement he says that he intends to continue to try to persuade the Government that the director not only thought it was within the guidelines, but that they were right in so thinking and that it has not added to premiums and is, therefore, not increasing inflationary pressure.

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Lord Aldington warns that through the trends in consumer protection are well meant, they involve increased costs which in the long term consumers themselves have to bear. If the search for the best is pushed too fast or too far, it could make insurance too expensive.

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HOME NEWS

Scrap metal merchants 'face gloomy future'

FINANCIAL TIMES REPORTER

BRITAIN'S scrap metal merchants face a gloomy future, according to a new survey of the industry.

Iron and steel scrap prices are unlikely to rise much this year, after their recent sharp advance, and merchants might run into export problems—particularly in Spain—Jordan. Dataquest, the company information service, says.

Jordan warns that casualties might occur soon among larger companies on the non-ferrous side, as their wage and plant costs reach unacceptable levels.

Mr. Roger Coghill, author of the survey, said yesterday: "The British Steel Corporation, as the biggest steel scrap user in the U.K., must adopt a more sympathetic attitude towards scrap merchants."

The sharp rise in iron and steel scrap prices this year to £30 a tonne was a technical movement and had nothing to do with demand, the survey says.

A further rise over £35 a tonne will be surprising. The survey rules out a jump to 1976 levels of £45.

Prices will not firm up because scrap stockpiles are still very high, and demand, which has already been hit in the last three months, will suffer still further from the steel plant closures planned by BSC.

The Spanish market for scrap, which last year took more than 50 per cent. of Britain's iron and steel scrap sales overseas, might

be less buoyant in future. Jordan doubts are expected in the next 12 months, and even these

A fall in scrap buying prices depends on Government willingness to join the Common market according to Jordan.

Market is successful, because the Ferrous scrap merchants have country will then come into line also suffered from changes with the EEC pricing structure.

The attractions of exporting routes to the corporation: its scrap might be far less in erratic buying pattern which led

future, because differences to a seven-fold jump in scrap between U.K. and Continental imports in 1976, and the series of prices are narrowing.

The rapid price cuts which BSC liberalisation of exports from posed in the mid-seventies.

the middle of last year saved

The Scrap Processing Industry survey.

47 Brunswick Place, London

Only mildly better trading con

N.I. £60.

APPOINTMENTS

R. Clarke heads Commission for New Towns

Mr. Robin Clarke has been appointed chief executive of the COMMISSION FOR THE NEW TOWNS in succession to Mr. Malcolm McKenzie, who retires on June 28. Mr. Clarke has been the Commission's manager at Crawley since 1962. Between 1958 and 1962 he served with Crawley Development Corporation.

Mr. Robin Leigh-Pemberton, chairman, National Westminster Bank Group, has been elected chairman of the ARTHRITIS AND RHEUMATISM COUNCIL. He succeeds Lord Pirriti, who held the dual posts of chairman and president of the Council, and who now remains president.

Mr. G. H. Lidstone has been appointed executive vice-chairman, and Mr. M. Heathcote Amory has joined the Board of AIR WEST, the new airline subsidiary of Westward Television. Mr. Lidstone is vice-chairman of Westward Television, and Mr. Heathcote Amory is a director.

Sir John Tilney will retire from the partnership of TILNEY AND CO. on April 30. Sir John, who became an associate member in 1952 and a partner in 1953, has agreed to become an associate member and consultant to the partnership, which will continue under its present title.

Mrs. Pauline Luff has been appointed director of OYEEZ PUBLISHING, the publishers of Law Society's professional books and legal forms publishing company. Previously an executive manager of the firm, Mrs. Luff joined OYEEZ in 1973 as an editor in the law forms division.

In conjunction with Sime Darby we have established, in the current year, a joint venture crane hire company, Crane Rental & Rigging (H.K.) Limited, which will shortly commence business in Hong Kong to take advantage of the enormous potential which that market offers. Further developments in South East Asia are currently being studied.

Following the example of many other major quoted companies, tax has only been provided where an actual liability can be foreseen within a reasonable period. As a result, some £6.7 million has been transferred to shareholders' funds.

We are dedicated to growth and further expansion will be undertaken as circumstances permit. The current year has begun satisfactorily and barring unforeseen circumstances a further increase in profits can be expected.

W. R. Richards, A.I.O.B., reports:

1977	1976
£000	£000
Group Turnover	32,441
Group Trading Profit	2,685
Basic Earnings per share	16.79p
Ordinary dividends paid and proposed	45.124p
	4.04p

• Crane Hire, the backbone of our business, has been trading in markets that have been very depressed but an overall improvement in performance in this area is evident and the condition of our fleet and strength of our management team and workforce have never been better.

• The Group's London and Home Counties crane hire organisation and tower crane distribution franchise, have reversed considerable losses in 1976, to modest profits last year, despite the markets they serve remaining at a low level of activity.

• The new joint venture manufacturing companies, Cosmos Crane Company Limited and Rothe Erde (Great Britain) Limited had their first full year of activity and achieved a good level of profitability.

• Overseas activities were disappointing, especially in Indonesia, where a temporary downturn in business was suffered. However a much improved performance should be achieved in the current year.

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THE NATION'S LEADING CRANE HIRE COMBINE

Copies of the Report and Accounts may be obtained from the Secretary, Richards & Wallington Industries Ltd., 1000 Broad, Birmingham B10 9JL.

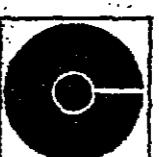


1978

THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

Has been conferred upon ELLIOTT TURBOMACHINERY LIMITED for increasing exports sevenfold in the last three years

Manufacturers of large process compressors and turbines for the oil, gas and petrochemical industries. White Gull hydraulic thrusters. White Major pilot hoists and heat transfer equipment.



Elliott
Turbomachinery Limited
40 MEDINA ROAD, COWES,
ISLE OF WIGHT, ENGLAND



QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

WE ARE PROUD TO HAVE THIS CONFERRING UPON US



"MASTER MIND"
THE WORLD'S GREATEST GAME

GAMES, EDUCATIONAL AIDS, ELECTRONIC HOUSEWARES, ADVERTISING MATERIALS EXPORTED TO OVER 100 COUNTRIES

Invicta Plastics Limited, Leicester, England.

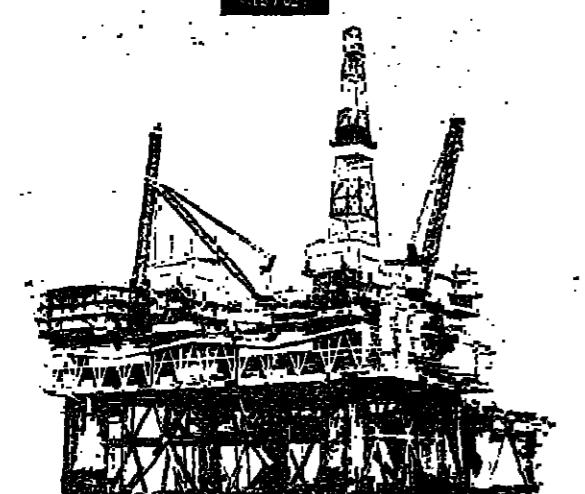
Invicta Plastics (U.S.A.) Limited, 200 5th Ave

New York, N.Y. 10010, U.S.A.

Invicta Plastics G.m.b.H., Duisburger Str. 22

5300 Nurnberg, B.R.D.

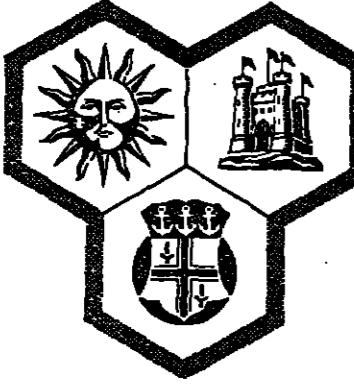
Invicta S.r.l., Via Cervia 22, 20122—Milano, It.



Offshore Achievement. Engineering of Thistle A'

CJB OFFSHORE LTD
20 Eastbourne Terrace, London W2 6LE
Telephone: 01-262 8080. Telex: 263521.

SUN ALLIANCE INSURANCE GROUP



Highlights from the Statement by the Chairman—Lord Aldington

After the exceptional underwriting loss in 1976 we have returned to an underwriting profit in 1977. But to do only a little better than break even on underwriting on our General business is quite inadequate in a period of still high inflation.

Despite the increasing recognition by many within the Industry and by some Governments of the need for a marked improvement in profitability, rates of premium are in many cases lower than those which the risks and the increasing costs of repair require. There is still surplus insurance capacity and excessive competition in many of our markets.

At home we made a modest profit. Fire results were again very good: a small profit emerged on the Motor account and losses in the Accident account were reduced. There was still a considerable loss in the Personal account.

The Overseas account as a whole was in deficit with heavy losses in Germany and Holland. There was a welcome improvement in the United States which brought us nearer to a profit there in general underwriting and good or useful profits were earned in many other important territories.

The improved underwriting results were accompanied by further increases both in investment

Home Fire

A good surplus has been earned but opportunities for expansion have been limited. We are well equipped to take advantage of sensible competition but believe that sound underwriting is essential if stability is to be maintained in the market. We shall continue to practise what we preach even if it means slower growth.

Home Accident

Progress has continued but the account is still in deficit. However the loss has been reduced.

Home Motor

We have been successful in achieving some growth in premium income despite intense competition. A small surplus has been earned.

Home Personal

The number of subsidence claims fell considerably and their cost was approximately halved compared with 1976. As a result the loss, though still significant, has been reduced.

We are continuing to persuade policyholders of the importance of maintaining adequate protection and are encouraging the use of index-linked sums insured.

Engineering

The return to profitability achieved in 1976 has been maintained and an increased surplus earned.

Life and Pensions

A marked increase in the level of new business in the U.K. during the second half of the year enabled us to show a modest increase in new annual premiums.

The task of making arrangements for those pension schemes contracting-out of the new State Scheme was brought to a successful conclusion within the very short period allowed.

An actuarial valuation of the main Life Fund disclosed a distributable surplus of £14.7m. The total contribution to Profit and Loss was £2.7m compared with £2.1m in 1976.

Sun Alliance Life Insurance Ltd. was launched in 1977 to transact life assurance linked to units in a variety of internal funds and made an encouraging start.

Reinsurance

The profit arising from proportional business for 1976 showed only a small reduction from that achieved in 1975 but with a further deterioration in the non-proportional account there was a deficit overall.

Marine

The deterioration in the Marine results which began in 1973 persists. Overcapacity in the world insurance markets is still evident and

Summary of Results

	1977	1976
Premium Income—Fire, Accident and Marine	£65.5	£126.1
Underwriting Transfers:		
Fire and Accident	1.1	-11.0
Marine, Aviation and Transport	—	—
Long-term Insurance Profits	2.7	2.1
Investment Income*	53.2	46.6
Other Income	0.2	0.1
Profit Before Taxation	57.2	37.8
Less:		
U.K. and Overseas Taxation	25.3	15.9
Profit After Taxation	31.9	21.9
Less:		
Minority Interests	0.2	0.1
Profit Attributable to Shareholders	31.7	21.8
Cost of Dividends	10.0	8.9
Profit Retained	21.7	12.9
Earnings per Share	64.31p	44.14p

* After deducting loan stock interest.
* Including deferred final dividend 1976.

Conclusion

Although there are some encouraging signs of improvement in Britain's economic outlook there is clearly some way to go before conditions are sufficiently stable for any lasting recovery in business confidence. We intend to maintain our policy of seeking adequate underwriting profits so that we can operate from a position of strength and be ready to take advantage of any worthwhile opportunities that arise. Taking our assets at market value, the Group's solvency margin increased from 62% to 78%. We will not be diverted from the duty of insurers to conduct their underwriting at a profit over the years.

During the year a considerable amount of evidence was submitted to Sir Harold Wilson's Committee to Review the Functioning of Financial Institutions. We are pleased to see confirmation of our view that adequate funds are available for industry and that shortage of finance is not a significant factor in Britain's present economic difficulties. It is obviously in our interests to contribute to a healthy economy by investing

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Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Apr. 30 - May 5	Concrete Materials and Techniques Exhibition	Wembley Conf. Centre
Apr. 30 - May 6	Int. Machine Tool and Production Eng. Exbn.	Nat. Exbn. Centre, B'ham.
May 2 - 5	BEAMA Int. Insulation Conf. & Exbn.	Hotel Metropole, Brighton
May 2 - 6	Int. Cleaning and Maintenance Exhibition	Nat. Exbn. Centre, B'ham.
May 7 - 10	Int. Cleaning, Marketing and Sales Promotion Exbn. and Conference	Metropole Centre, Brighton
May 8 - 12	Int. Welding Engineering Exbn. and Conf.	Harrowgate
May 8 - 11	International Diecasting Exhibition	Olympia
May 8 - 11	European Computing Congress and Exbn.	Wembley Conf. Centre
May 14 - 17	Meat Trades Fair	Alexandra Palace
May 15 - 17	Int. Domestic Electrical Appliances Trade Fair	Nat. Exbn. Centre, B'ham.
May 15 - 19	Business to Business Exhibition	Olympia
May 24	Specibuild (building products) Conf. and Exbo.	Horicultural Halls, S.W.1
May 31 - June 3	Business to Business Exhibition	Shepton Mallet
June 3 - 5	Royal Bath and West Show	Olympia
June 3 - 5	British Hospitals Exhibition	

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Apr. 23 - May 4	German Agricultural Show	Frankfurt
Apr. 24 - May 15	International Trade Fair	Brussels
Apr. 24 - May 15	International Paris Trade Fair	Paris
May 6 - 11	International Book Festival	Paris
May 8 - 11	Offshore Technology Conf. and Exbn.	Houston, Texas
May 8 - 12	Int. Technology Exchange Fair	Utrecht
May 9 - 11	CompeX Europe	Brussels
May 9 - 14	Int. Surface Treatment and Finishing Exbn.	Paris
May 13 - 20	Woodworking Machine Exhibition	Milan
May 18 - 20	Welding Fair	Zagreb
May 19 - 27	Public Works Exhibition	Paris
June 4 - 8	Israel Technology Week	Jerusalem

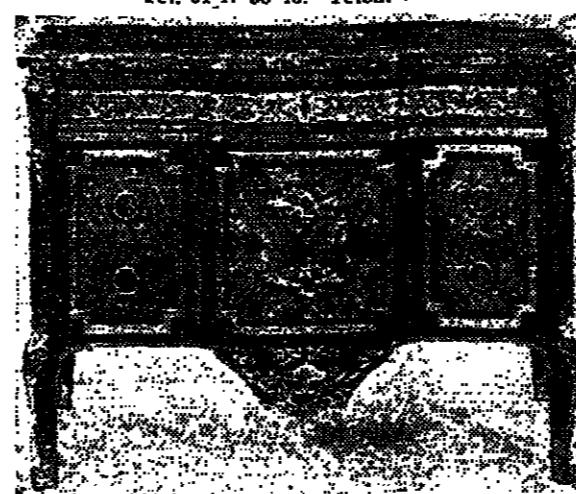
BUSINESS AND MANAGEMENT CONFERENCES

Apr. 25	BOTB/CBI: Opening an office in Japan	CBI, London
Apr. 26	British Overseas Trade Board: Exporting to Australia	Inn on the Park Hotel, W.1
Apr. 26 - 27	European Study Conferences: Direction and management of the smaller private company	Kensington Palace Hotel, W.8
Apr. 27	Soc. for Long Range Planning: Introduction to Corporate Planning	SLRP, London
Apr. 27	British Council of Productivity Associations: Production and disclosure of company information	London Hilton, W.1
Apr. 27	London Business School: Leases and how to value them	Sussex Place, W.1
Apr. 27 - 28	Council for Energy Studies: World Energy Economics Conference	Inn on the Park, W.1
Apr. 27 - 28	Oyer: Advertising Association Conference	The Brighton Centre - CBI, London
May 1 - 6	CBT/COMET: U.K.-Moroccan trade potential	Palace Hotel, Torquay
May 1 - 6	Institute of Metal Finishing: Annual Technical Conference	Royal Lancaster Hotel, W.2
May 1 - 4	British Institute of Management: Management of Product Design and Innovation	Tower Hotel, E.1
May 1 - 4	National Chamber of Trade: Annual Conference	Royal Lancaster Hotel, W.2
May 1 - 4	Keith Shilton Developments: Risk Management in Practice	Inst. of Directors, W.1
May 1 - 4	Financial Times: The 1978 Euromarkets Conference	London Press Centre, E.C.4
May 1 - 4	AGB Conference Services: Executive Stress	London Hilton, W.1
May 1 - 4	Oyer: International Transfer Pricing Policies	London Hilton, W.1
May 9 - 10	Zinc Development Association: Die Casting Conference	Manchester
May 9 - 11	Shirley Institute: Textile Industry - protecting the environment, producer and consumer	RACIE Train. Centre, London
May 9 - 12	British Association for Commercial and Industrial Education: Job Analysis	Hotel Inter-Continental, W.1
May 10 - 12	Oyer: Tax and Property	Churchill Hotel, W.1
May 10 - 12	Advanced Management Research (AMR): Management Skills for Women	Grosvenor House, W.1
May 15 - 16	Financial Times: The North Sea and its Economic Impact	Royal Lancaster Hotel, W.2
May 16	European Study Conferences: The Finance Bill 1978	Imperial College, S.W.7
May 16	Inst. of International Licensing Practitioners: Nuts and bolts of technology transfer	Hilton Hotel, W.1
May 17 - 18	Oyer: Successive accomplishment of giant projects	Barbados
May 23 - 26	Marchmont: International Tax Planning Conf.	London, S.W.1
May 24	Imperial College: International Finance	Tickled Trout Hotel, Preston
May 24 - 25	British Institute of Management: Cost savings through materials handling	Piccadilly Hotel, W.1
May 25 - 26	Anthony Skinner Management: Improving stock control	Old Government House Hotel, Guernsey
	European Study Conferences: Double Taxation - taking advantage of international agreements	

GALERIE KOLLER

Rämistr 8 8001 ZURICH

Tel. 01-47 50 40. Telex: 58300.



A Transition Commode, around and dated "Rousseau J.H. 1789". Inventory mark of the Royal Chateau de Saint-Cloud. The commode is accompanied by a Secretaire.

IMPORTANT SALES

May 18th through June 3rd, 1978

The property of various owners, including: MEUBLES FROM THE ROYAL CHATEAU OF SAINT-CLOUD: A SERIES OF 4 GIGANTIC TAPESTRIES FROM THE PATRICIAN HOUSE IN GENEVA: THE ESTATE OF M. P. JUNOT: OVER 300 ARMS AND WEAPONS: A PART OF THE ESTATE OF A WINTERBERG INDUSTRIALIST.

Important Paintings of the 18th and 19th century: Bonnart, Corot, Courbet, Delacroix, Gericault, Millet, Courbet, Courbet, Bonnard, Vuillard, Gauguin, Grunewald, Manet, Sisley, Monet, Miró, Modigliani, Picasso, Pissarro, Polakoff, Renoir, Rouault, Schiele, Soutine, Spillers, Utrillo, Vallet, Vilain, Vuillard, etc.

Highly important Old Masters: Vermeer, Rembrandt, Jan Brueghel the Younger, Cranach the Elder, Dürer, Dürer, El Greco, de Gelder, van Goyen, J. van der Haagen, Horemans, Linckebach, P. P. de Putter, Thomas, de Putter, A. and P. van der Velde, etc.

Important Collection of Miniature Gothic Art and books.

Outstanding French Furniture of the 17th and 18th century, many pieces stamped. European Furniture from the Renaissance to the Napoleonic era.

Rare Watches, Clocks, Bracket Clocks, Bronzes and Sculpture, European Porcelain and Pottery, Silver, Miniatures and Gold Boxes.

Important Jewels.

Highly Important Collection of Art, Far Eastern Ceramics, Over 40 Vintage cars, exhibited May 18th through 25th in the big hall of the "Glan" Shopping Centre.

VIEW

May 3rd through May 16th, daily from 10 a.m. to 10 p.m. On Tuesday May 16th, last day of exhibition, from 10 a.m. to 6 p.m. The exhibition remains closed on Wednesday May 17th, from 10 a.m. until the day of sale, appointments may be made for private viewing.

Large illustrated catalogues:

Furniture, Arts and Crafts

SFR.30

Pictures and Graphic Arts

SFR.30

Asian works of Art and Asian ceramics

SFR.25

Jewels

SFR.15

Veteran, Vintage and Classic Cars

N.B. The exhibition is open to the public.

WE, THE LIMBLESS, LOOK TO YOU FOR HELP

We come from both world wars. We come from Kenya, Malaya, Aden, Cyprus, ... and from Ulster. From keeping the peace no less than from war we limbless look to you for help.

And you can help, by helping our Association. BLESM (the British Limbless Ex-Service Men's Association) looks after the limbless from all the Services.

It helps, with advice and encouragement, to overcome the shock of losing arms, or legs or an eye. It sees that red tape does not stand in the way of the right entitlement to pension. And, for severely handicapped and the elderly, it provides Residential Homes where they can live in peace and dignity.

Help BLESM, please. We need money desperately. And, we promise you, not a penny of it will be wasted.

Donations and information: Major The Earl of Ancaster, KCVO, TD., Midland Bank Limited, 60 West Smithfield, London EC1A 9DX.

British Limbless Ex-Service Men's Association

"GIVE TO THOSE WHO GAVE - PLEASE"



**SENIOR
ENGINEERING
GROUP
LIMITED**

Results for 1977

- * Turnover up by 23.0% to £51.6m
- * Profit before tax up by 12.6% to £5.3m
- * Earnings per share up by 12.3%
- * Dividend cover 2.9 times

	1977 £000's	1976 £000's	1975 £000's
Turnover	51,629	41,971	34,960
Profit before tax	5,300	4,707	3,817
Finance employed	26,329	24,158	19,574
Dividends per share	1.1671p	1.053p	0.950p

The diversity of the Group's engineering interests spread over several divisions with varied products sold into many different markets has enabled the Group to enjoy many years of uninterrupted growth whereas specialised companies have found it more difficult to weather the recent years of recession. Certain divisions are quietly optimistic for 1978 but in the present fluctuating economic climate it is difficult to forecast the likely profits for those divisions whose products are sold on a short delivery period. Nevertheless the Group is well equipped to take advantage of any improvement in trading conditions and will strive to extract the maximum benefit out of the present depressed situation.

Senior Engineering Group Limited

Senior House, 21 Derby Road, Watford, Herts. WD1 1LT

Pearson Longman

Preliminary Announcement of 1977 Results

	1977 £000	1976 £000
Turnover	26,306	23,435
The Financial Times Limited	62,993	53,155
Westminster Press Limited	35,598	32,466
Longman Holdings Limited	18,935	18,668
The Penguin Publishing Company Limited	3,683	3,536
Ladybird Books Limited	(1,109)	(892)
Inter-company turnover eliminated	146,406	130,108
Profit before interest	3,378	2,453
The Financial Times Limited	5,970	4,490
Westminster Press Limited	8,760	8,136
Longman Holdings Limited	1,679	3,213
The Penguin Publishing Company Limited	477	708
Ladybird Books Limited	(49)	(15)
Pearson Longman Limited	20,215	19,075
Interest payable less interest receivable	551	931
Profit before taxation	19,664	18,144
The company and its subsidiaries	1,734	1,730
Associated companies	21,398	19,874
Profit of the group before taxation		
Taxation thereon		
The company and its subsidiaries	8,653	7,558
- United Kingdom	1,104	1,583
- Overseas	10,557	9,441
Associated companies	8,333	9,366
10,890	10,377	
Profit of the group after taxation	10,508	9,497
Profit attributable to minority interests	481	484
Net profit of the year attributable to Pearson Longman Limited before extraordinary items	10,027	9,013
Extraordinary items	56	152
Net surplus including extraordinary items	10,083	9,165
Dividends		
Preference shares		



THE QUEEN'S AWARD TO INDUSTRY

has been conferred upon
WILLIAM HARE LIMITED
in recognition of
their export achievements

WILLIAM HARE LIMITED

STRUCTURAL ENGINEERS

WESTON STREET BOLTON, LANC. BL3 2AT.
TELEPHONE BOLTON 26111 TELEX 63277

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

COMPANY NOTICES

SELECTED RISK INVESTMENTS S.A.
NOTICE OF ANNUAL GENERAL MEETING
OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Selected Risk Investments S.A. will be held at its registered office, 14th Floor, 100 Avenue de la Porte des Champs, 11th District, Paris, France, on 11th October 1978, at 3 p.m. for the purpose of considering and voting upon the following:-

- To accept the Directors' and Auditor's reports and to approve the Statement of Profit and Loss for the year ended 31st December, 1977.
- To accept the audited statement of net assets at 31st December, 1977, and the Statement of Operations for the year ended on that date.
- To approve the payment of a final dividend of 0.15 francs per share in respect of the year 1977, in addition to the 0.30 francs per share paid on 2nd June 1978.
- To ratify the termination, on 31st December 1977, of the appointment of the Investment Advisor, and the other Investment Advisor, for 1978.
- To decide on any other business which may properly come before the meeting.

Each of the resolutions set out above may be passed by a simple majority of the shareholders present or represented.

The shareholders are advised that no quorum for the statutory meeting is required and that shareholders holding the majority of the shares represented at the meeting, with the restriction that no shareholder may vote in respect of more than one fifth of the shares, may nevertheless be entitled to vote in respect of the shares represented at the meeting.

In order to participate in the statutory meeting, shareholders must deposit their shares, not later than 10th May, 1978, with the Registrar of the Company, or with any bank or financial institution acceptable to the Company, and the relevant deposit slip must be forwarded to the registrar, BNP, 40, rue de la Poste, Postbox 408, Luxembourg. The shares will remain blocked until the day after the meeting.

The owners of registered shares need not deposit their shares in order to vote. Shareholders who cannot attend the meeting in person are invited to send a duly completed proxy to the Secretary of the office of the Company, Boite Postale 408, Luxembourg.

No Director has entered into a contract of significance, the BOARD OF DIRECTORS, 10, Boulevard Roosevelt, Luxembourg, 21st April, 1978.

PERSONAL

HELP SAVE OUR EX-SERVICEMEN
FROM FURTHER SUFFERING

War raged us until Northern Ireland today mean that hundreds of thousands of ex-servicemen still exist. Ex-servicemen widows, orphans desperately need homes, jobs, food, fuel and other essentials. The Royal British Legion, Borewell Fund, Madrasas, Kent, ME20 7MX.

For and on behalf of
117 GROUP FUND S.A.
The Board of Directors

BUCKINGHAMSHIRE
COUNTY COUNCIL

announce that the interest
rate on their
VARIABLE RATE REDEEMABLE
STOCK 1982

for the period 1st April, 1978 to
21st October, 1978 is 4.5%
being equal to 1% per annum above
the average six month sterling deposit
rate, offered on 20th April, 1978.

OWENS-ILLINOIS

Holders of the above Debentures are hereby notified that the exchange price of the Debentures has been adjusted as a result of a 100% Common Stock dividend of Owens-Corning Fiberglas Corporation ("Fiberglas") in the form of a stock split-up approved by shareholders of Fiberglas on April 20, 1978, and applicable to shareholders of record of Fiberglas on

The adjusted exchange price is \$27.13 for each share of Fiberglas Common Stock (\$1 par value), and is effective as of April 21, 1978.

LEGAL NOTICES

Notice to Holders of
4 1/2% Subordinated
Debentures Due 1987

of

THE COMPANIES ACT 1948
SOLARCREST LIMITED

Nature of Business: Clothing Importer.

Date of Incorporation: Friday, 28th April, 1970.

Place of Incorporation: 22 Park Street, Croydon CR9 1TX.

Deputy Officer: R. A. D. COPPER.
Provisional Liquidator:

Particulars of the Debentures:

AGNEW GALLERIES, 43, Old Bond St., W.1. 629-6378. THREE CENTURIES OF
STRUCTURE, 1740-1970. Paintings, Sculpture, Furniture, Antiques, Books, Prints, etc. Mon.-Fri. 9.30-5.30. Thurs. 10-7.

BROUSE & GARRY, 18, Cork St., W.1. Mon.-Fri. 10.00-5.30. Sat. 10-1.

COLNAGHI, 14, Old Bond St., W.1. 691-7406. INDIAN PAINTINGS
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COVENT GARDEN GALLERY LTD., The
Topiary, Visionary, Watercolours,
Ceramics, Prints, Watercolours,
Africa, West Indies, Mauritius and
Maldives, 12, 13, 14, 15, 16, 17, 18, 19,
Sat. 12.30. Thurs. 2, 20, Russell St.,
W.C.2. 01-635 1139.

FIELD GALLERIES, 62, Old Bond St., W.1. 629-6378. ART IN RELIGION.

FOX GALLERIES. Exhibitions of the paintings by British and European Artists.

London, W.1. Tel. 01-734 2626. Weekdays 10-6.

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OVERSEAS MARKETS

EUROBONDS

High quality shift boosts market

BY FRANCIS GHILES

THE SHIFT of high quality borrowers and their managers away from the Deutschemark and into the dollar sector suggests that a renewed mood of confidence is being instilled in the market. New paper on offer of the quality witnessed in the past ten days has not been seen in the market for a long time and investors were duly keen.

The offering of notes for

Bearnic Foods Overseas Finance NV was closed four days ahead of schedule. Despite terms being tight, investor demand from continental Europe, Switzerland in particular, was reported to be very strong.

The renewed strength of the dollar sector, is also based on currency and interest rate factors. The divergence in interest rates of the dollar and the two strong currencies, the Deutschemark and the yen has never been wider and this has convinced many in the market that the dollar has reached its bottom. They only way for the dollar, they argue, is up and hence the acceptance of good quality names even when they carry tight conditions: the gain potential on the currency could be substantial.

On present trends the achievement of the Deutschemark dur-

ing the first quarter of this year, when it accounted for a greater volume of new issues than the dollar 45.2 per cent, against 44.9 per cent) is unlikely to be repeated in the second quarter.

The renewed strength of the dollar sector enabled Deutsche Bank to come forward with a U.K. who has achieved quite a private placement for one of the blue chip names of German industry, BASF, on terms which were also very tight.

Where the CNT issue is concerned, the maturity is a very long one but a generous coupon should ensure good reception. The CNT bond was not altogether unexpected. It seems that just over a week ago, when the United Kingdom announced its decision to launch its first ever Yankee bond, the Caisse Nationale des Télécommunications was on the verge of filing a \$75m. bond with the Securities and Exchange Commission in New York. On learning this awkward piece of news, the French decided to pull back. Fear of the market is New York getting congested and also, maybe, concern they might obtain slightly less good terms than HM Treasury combined to make such a move unavoidable.

The reasons why the United Kingdom bond might well have got finer terms than an eventual

one are many: it was the first ever U.K. Yankee bond; it was two dollar bonds for Norway rather than for a nationalised company; historical links between the two countries might prove a strong incentive to investors who perceive that the good two-way trading most of the week with turnover higher than it has been recently.

The floating rate note sector was firm and Crédit Commercial de France was able to increase its float from an initial \$35m. because of strong demand.

The Deutschemark sector of the market put in a lacklustre performance. The glamour has gone for the time being as many investors switch from Deutschmark to dollar denominated bonds. Not only is placement of new issues proving more difficult than at any time in recent months but secondary market prices continue to suffer.

The "exotic" issues are still trading at a solid discount (Mexico was being quoted at

95.96%) but better known names are also putting in a weak performance. P. K. Bankeen which was priced at 98 was being quoted in early aftermarket trading at 97.1.

The weakness of some of the issues for developing countries in recent weeks is all the more interesting as recent figures suggest that such borrowers floated a greater volume of issues denominated in Deutschmarks than in dollars recently (\$860m. work in Deutschmark equivalent as against \$862m. worth in dollars in the 12 months to the end of September 1977).

Some issues, however, are meeting with strong demand. This is in particular the case with the Sanyo Convertible which will not be increased. Short-term paper is also proving attractive to investors. The bad shape of most of the market makes it highly unlikely that Bayerische Vereinsbank or Banco Nacional Financiero to the market at present and certainly not on the terms indicated a month ago.

The only new issue announced over the weekend was the DM125m. for Den Norske Industribank. Lead manager is Westdeutsche Landesbank: the bonds will have a maturity of 12 years and an indicated coupon of 5.6 per cent.

Trading at a solid discount (Mexico was being quoted at

BONDTRADE INDEX AND YIELD

April 21 1978 1978 1978 1978

Medium term Long term

Eurobds. 1,059.9 1,021.9

Cedel 296.1 476.7

Int. rate, prem. discount

Int. rate, prem. discount

Other bonds

Eurobds. 355.6 316.4

Cedel 480.1 316.7

Short term

Eurobds. 8.0 7.0

Cedel 1.0 1.0

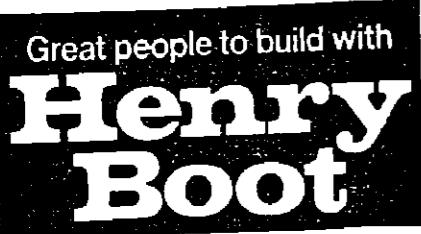
Yield

Eurobds. 5.6 5.5

Cedel 4.9 4.8

Yield

Eurobds. 5.6 5.5



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AMERICANS—Continued

BUILDING INDUSTRY—Cont.

DRAPERY AND STORES—Cont.

ENGINEERING—Continued

Dividends Paid	Stock	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	21st	22nd	23rd	24th	25th	26th	27th	28th	29th	30th	31st	32nd	33rd	34th	35th	36th	37th	38th	39th	40th	41st	42nd	43rd	44th	45th	46th	47th	48th	49th	50th	51st	52nd	53rd	54th	55th	56th	57th	58th	59th	60th	61st	62nd	63rd	64th	65th	66th	67th	68th	69th	70th	71st	72nd	73rd	74th	75th	76th	77th	78th	79th	80th	81st	82nd	83rd	84th	85th	86th	87th	88th	89th	90th	91st	92nd	93rd	94th	95th	96th	97th	98th	99th	100th	101st	102nd	103rd	104th	105th	106th	107th	108th	109th	110th	111th	112th	113th	114th	115th	116th	117th	118th	119th	120th	121st	122nd	123rd	124th	125th	126th	127th	128th	129th	130th	131st	132nd	133rd	134th	135th	136th	137th	138th	139th	140th	141st	142nd	143rd	144th	145th	146th	147th	148th	149th	150th	151st	152nd	153rd	154th	155th	156th	157th	158th	159th	160th	161st	162nd	163rd	164th	165th	166th	167th	168th	169th	170th	171st	172nd	173rd	174th	175th	176th	177th	178th	179th	180th	181st	182nd	183rd	184th	185th	186th	187th	188th	189th	190th	191st	192nd	193rd	194th	195th	196th	197th	198th	199th	200th	201st	202nd	203rd	204th	205th	206th	207th	208th	209th	210th	211st	212nd	213rd	214th	215th	216th	217th	218th	219th	220th	221st	222nd	223rd	224th	225th	226th	227th	228th	229th	230th	231st	232nd	233rd	234th	235th	236th	237th	238th	239th	240th	241st	242nd	243rd	244th	245th	246th	247th	248th	249th	250th	251st	252nd	253rd	254th	255th	256th	257th	258th	259th	260th	261st	262nd	263rd	264th	265th	266th	267th	268th	269th	270th	271st	272nd	273rd	274th	275th	276th	277th	278th	279th	280th	281st	282nd	283rd	284th	285th	286th	287th	288th	289th	290th	291st	292nd	293rd	294th	295th	296th	297th	298th	299th	300th	301st	302nd	303rd	304th	305th	306th	307th	308th	309th	310th	311th	312th	313th	314th	315th	316th	317th	318th	319th	320th	321st	322nd	323rd	324th	325th	326th	327th	328th	329th	330th	331st	332nd	333rd	334th	335th	336th	337th	338th	339th	340th	341st	342nd	343rd	344th	345th	346th	347th	348th	349th	350th	351st	352nd	353rd	354th	355th	356th	357th	358th	359th	360th	361st	362nd	363rd	364th	365th	366th	367th	368th	369th	370th	371st	372nd	373rd	374th	375th	376th	377th	378th	379th	380th	381st	382nd	383rd	384th	385th	386th	387th	388th	389th	390th	391st	392nd	393rd	394th	395th	396th	397th	398th	399th	400th	401st	402nd	403rd	404th	405th	406th	407th	408th	409th	410th	411st	412nd	413rd	414th	415th	416th	417th	418th	419th	420th	421st	422nd	423rd	424th	425th	426th	427th	428th	429th	430th	431st	432nd	433rd	434th	435th	436th	437th	438th	439th	440th	441st	442nd	443rd	444th	445th	446th	447th	448th	449th	450th	451st	452nd	453rd	454th	455th	456th	457th	458th	459th	460th	461st	462nd	463rd	464th	465th	466th	467th	468th	469th	470th	471st	472nd	473rd	474th	475th	476th	477th	478th	479th	480th	481st	482nd	483rd	484th	485th	486th	487th	488th	489th	490th	491st	492nd	493rd	494th	495th	496th	497th	498th	499th	500th	501st	502nd	503rd	504th	505th	506th	507th	508th	509th	510th	511st	512nd	513rd	514th	515th	516th	517th	518th	519th	520th	521st	522nd	523rd	524th	525th	526th	527th	528th	529th	530th	531st	532nd	533rd	534th	535th	536th	537th	538th	539th	540th	541st	542nd	543rd	544th	545th	546th	547th	548th	549th	550th	551st	552nd	553rd	554th	555th	556th	557th	558th	559th	560th	561st	562nd	563rd	564th	565th	566th	567th	568th	569th	570th	571st	572nd	573rd	574th	575th	576th	577th	578th	579th	580th	581st	582nd	583rd	584th	585th	586th	587th	588th	589th	590th	591st	592nd	593rd	594th	595th	596th	597th	598th	599th	600th	601st	602nd	603rd	604th	605th	606th	607th	608th	609th	610th	611st	612nd	613rd	614th	615th	616th	617th	618th	619th	620th	621st	622nd	623rd	624th	625th	626th	627th	628th	629th	630th	631st	632nd	633rd	634th	635th	636th	637th	638th	639th	640th	641st	642nd	643rd	644th	645th	646th	647th	648th	649th	650th	651st	652nd	653rd	654th	655th	656th	657th	658th	659th	660th	661st	662nd	663rd	664th	665th	666th	667th	668th	669th	670th	671st	672nd	673rd	674th	675th	676th	677th	678th	679th	680th	681st	682nd	683rd	684th	685th	686th	687th	688th	689th	690th	691st	692nd	693rd	694th	695th	696th	697th	698th	699th	700th	701st	702nd	703rd	704th	705th	706th	707th	708th	709th	710th	711st	712nd	713rd	714th	715th	716th	717th	718th	719th	720th	721st	722nd	723rd	724th	725th	726th	727th	728th	729th	730th	731st	732nd	733rd	734th	735th	736th	737th	738th	739th	740th	741st	742nd	743rd	744th	745th	746th	747th	748th	749th	750th	751st	752nd	753rd	754th	755th	756th	757th	758th	759th	760th	761st	762nd	763rd	764th	765th	766th	767th	768th	769th	770th	771st	772nd	773rd	774th	775th	776th	777th	778th	779th	780th	781st	782nd	783rd	784th	785th	786th	787th	788th	789th	790th	791st	792nd	793rd	794th	795th	796th	797th	798th	799th	800th	801st	802nd	803rd	804th	805th	806th	807th	808th	809th	810th	811st	812nd	813rd	814th	815th	816th	817th	818th	819th	820th	821st	822nd	823rd	824th	825th</th

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